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► The working conditions of home-based workers in Sri Lanka

A literature review



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► **The working conditions of home-based workers in Sri Lanka**

A literature review

► Foreword

Home-based workers often fall into spaces of isolation and invisibility despite the integral role they play in economies. The COVID-19 pandemic has prompted substantial change in the world of work, including increasing the numbers of home-based workers, and its impact continues to reveal the high vulnerabilities, hardships, and scale of informality faced by many employed in this category of work.

Addressing the unique challenges faced by this workforce through comprehensive and effective approaches requires a deeper understanding of ground realities. The study conducted by the International Labour Organization in Sri Lanka, with support from the Government of Japan, aims to identify the nature and extent of home-based work in Sri Lanka, specifically with respect to home-based workers and informal workers in micro and small enterprises engaged in the lower tiers of the country's global and domestic supply chains. The desk research-based study also examines the nature of employment, working conditions, labour rights and benefits available to these workers. The workers in home-based work are of two types: a) industrial home-workers (who get work from an enterprise either directly or through an agent) who are part of supply chains; and b) own-account workers (independently producing and selling their services and products in the market). For both categories, the homes double up as the workplace, and together they are termed 'home-based workers'. Workers who tele-work on an occasional basis from their homes are not included in either category.

Key findings from the study point to the 'invisibility' of this workforce – mainly comprising women workers – in law, policy and statistics. The study points out that a majority of home-based workers remain outside the protection of labour- and employment-related laws, do not have access to social protection, are not organized and unionized, and lack a collective voice. It further points to the lack of available data on home-based workers in Sri Lanka. Neither the national census nor the labour force data captures specific information on the home

as a 'workplace'. This study also highlights the highly feminized nature of the home-based work workforce. This is largely due to the gendered care responsibilities of women and their need for a flexible workplace and flexible working hours.

Home-based work is an important source of employment and livelihood for both women and men. However, women workers are engaged disproportionately in low-paid, piece-rated, labour-intensive and precarious work. Women do not have secure incomes and often face violence and harassment. The study identifies both challenges and opportunities that have arisen because of the pandemic for women and men to 'work from home'.

The study recommends the recognition of home-based workers under labour laws, with similar protections and entitlements to other 'recognized' workers and visibility in data and statistics. Based on global estimates and the fact that home work and home-based work is increasing in the aftermath of the pandemic, it is important to have a comprehensive policy framework to enable decent work for women and men who tend to remain outside the official labour force statistics or seek flexible employment, such as working from home. Engagement with social partners – government, employers and worker organizations as well as various stakeholders in the supply chains – is equally important to develop a comprehensive mechanism to enable decent work for home-based workers. This study calls for strengthening the voices of workers, especially women workers. It recommends ensuring that they are not excluded from the dignity associated with decent work and the rights and benefits available to others. It also calls for more robust, accurate and comprehensive data collection on home-based work to better inform policies and programmes covering the informal economy.

COVID-19 has indeed increased the visibility of home-based work, affording an opportunity for social partners, policymakers and other stakeholders to amplify the decent work agenda within this kind of work.

Simrin Singh
Director

ILO Country Office for Sri Lanka and the Maldives

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► Abbreviations

ADB	Asian Development Bank
A/L	Advanced Level
BoI	Board of Investment
DCS	Department of Census and Statistics
EDB	Export Development Board
FAO	Food and Agriculture Organization
FGDs	Focus Group Discussions
FPSS	Farmers' Pension and Social Security Benefit Scheme
FTZs	Free Trade Zones
GoI	Government of India
HBWs	Home-based Workers
HIES	Household Income and Expenditure Survey
HNSA	HomeNet South Asia
ILO	International Labour Organization
ISST	Institute of Social Studies Trust
IT-BPM	Information Technology–Business Process Management
LFS	Labour Force Survey
MSMEs	Micro, Small and Medium Enterprises
NGOs	Non-Governmental Organizations
PSPF	Public Servants' Provident Fund
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
VCA	Value Chain Approach
WWW	Women Working Worldwide

► Executive summary

The objective of this desk study was to conduct a literature review of home-based workers and those engaged in the lower tiers of work, including contractors, subcontractors and small and informal enterprises in Sri Lanka. This study identified specific sectors, the nature and types of home-based work in them, their geographical areas, and their connections with global/domestic supply chains. Literature related to working and living conditions, remuneration, violence in the world of work, informality and occupational health and safety issues were also reviewed.

The majority of home-based workers across the world are women. It has been seen that over 90 per cent of all home-based workers in developing countries are informal workers, and they typically have lower than satisfactory standards of living. Most of these workers are not organized into any groups or networks.

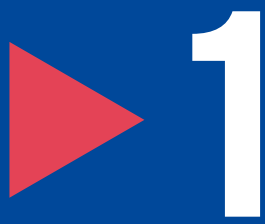
In Sri Lanka, most home-based workers are engaged in the production of traditional goods or work in the garment sector. This desk review found that the most critical issues faced by the home-based work sector in Sri Lanka are unsatisfactory working conditions, low wages, the lack of or no social security coverage, no coverage under labour laws, risks associated with home-based work and harassment, especially faced by women workers.

In the context of Sri Lanka, it is not possible to get precise estimates of home-based workers as a broad group because there are no specific questions related to place of work in the national statistics and labour force survey. Also, as in most other countries, in Sri Lanka as well, it is difficult to distinguish between the two

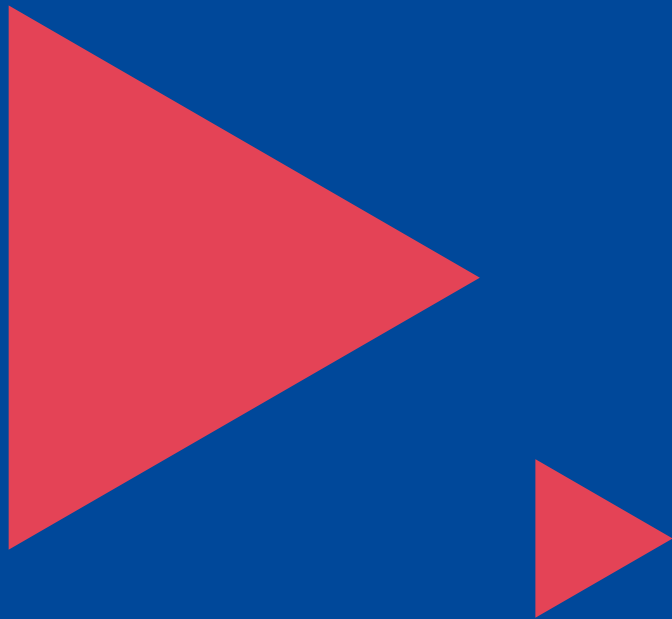
types of home-based workers – those who are “homeworkers” (part of the supply chains and receive outsourced work) and those who are “own-account” independent workers (who sell their produce directly to the market) – as the data and statistics available do not distinguish between the two.

The Government of Sri Lanka needs to ensure that adequate social protection is provided to home-based workers since they are an important group of workers in the country’s economy. Sri Lankan labour laws do not cover homeworkers or own-account workers working from home in a specific manner, and they remain outside legal coverage and labour law protection. Sri Lanka needs to fully recognize home-based workers as “workers” and enable all rights and entitlements generally available to workers. Legislation designed specifically for home-based workers or specific inclusion in existing legislation is also needed to protect them. Further, raising awareness among home-based workers about the importance of understanding the calculation of piece rate wages, maintaining quality standards, and the possible certification of their skills is also essential to ensure that they receive the payment they deserve and to help them link with global and domestic supply chains.

Sri Lanka has also not ratified the Home Work Convention, 1996 (No. 177) as yet, and given the lack of information about home-based work in the country, it is important that a comprehensive study on identifying the gaps and challenges in statistics and data is undertaken and substantiated through pilot surveys in select locations.



Introduction



1.1 Background

The concept of the “value supply chain” has been widely discussed in industrial economics, labour economics and many other subject areas. With the emergence of the fourth industrial revolution, which mainly focuses on smart production and smart economies, policymakers in the areas of small and medium enterprise (SME) development, industrial development, labour market and foreign direct investment are looking at global supply chains rather than domestic value chains. Home-based work¹ is common in global supply chains,² and homeworkers are predominantly women workers who receive work from subcontractors or directly through micro, small and medium enterprises (MSMEs) connected to domestic and global supply chains.

Also connected to the supply chains are micro-enterprises, where an employer may also work in the same enterprise and employ one or more casual homeworkers or regular workers. Most times, such workers and enterprises operate as part of the informal economy. All of these greatly affect the achievement of the Sustainable Development Goals (SDGs), especially decent work (SDG 8), eradicating poverty (SDG 1), and achieving gender equality and empowering women and children (SDG 5).

The ILO/Japan project, “Towards fair and sustainable global supply chains: Promoting decent work for invisible workers in South Asia”, intends to contribute to the development of ethical and sustainable global supply chains. The project focuses on workers in the lower tiers of global supply chains, which includes homeworkers and workers in micro and small enterprises in the informal sector. In addition, some homeworkers also become subagents/contractors or set up micro enterprises. These workers do not have the legal protection, social protection or most of the benefits that workers in

the formal sector and in the upper tiers of global supply chains receive.

There are many studies on home-based workers (HBWs) in Sri Lanka, and the ILO, under the ILO/Japan project, plans to review the existing literature, studies, information and data on HBWs and home-based work in Sri Lanka with a focus on those linked to global (and domestic) supply chains in order to guide policymakers and civil society groups, and to add to evidence-based research and identify gaps in the literature for future research.

1.2 Definition of homeworkers/ subcontracted home-based work

HBWs are a broad category of workers that includes homeworkers and independent workers (mainly own-account workers). The Home Work Convention, 1996 (No. 177) (Article 1) defines home work as “work performed by a worker in his or her home or in other premises of his or her choice, other than the workplace of the employer for remuneration, which results in a product or service specified by the employer, irrespective of who provides the equipment, material, or other inputs used”. This definition does not extend to persons who have “the degree of autonomy and of economic independence necessary to be considered independent workers under national laws, regulations, or court decisions”. The definition of homeworkers also does not include those who perform their work as employees at home “on an occasional basis” instead of working at their usual workplaces.

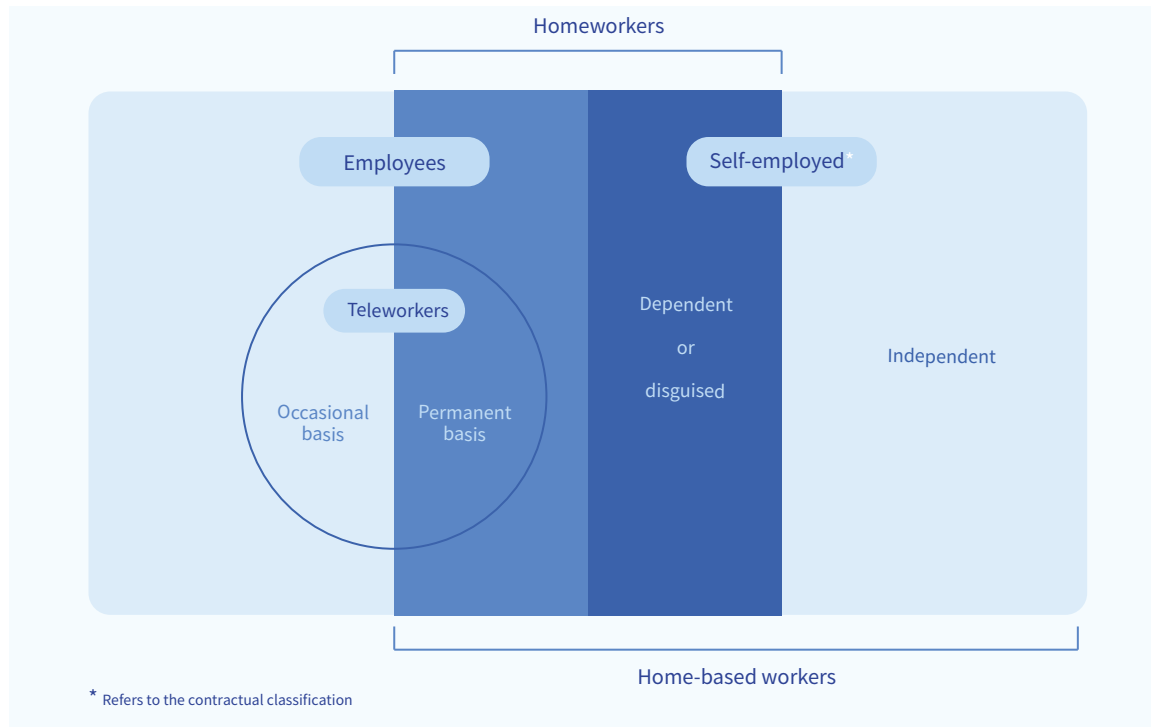
Figure 1 (taken from the report *Working from Home*³) illustrates the distinction between HBWs and those who are homeworkers under Convention No. 177, as well as their contractual classification.

1 Homeworkers are a subset of home-based workers. Homeworkers receive work from supply chains and are paid wages, mostly piece rate wages, and perform the work in their homes or in a place which is not the workplace of the employer. Home-based workers are a broader category and include self-employed workers who work from their own homes, buy their own raw materials and supply and sell finished goods to the local markets, buyers and customers. Homeworkers are defined by the Home Work Convention, 1996 (No. 177) and are described later in this paper in more detail.

2 Many firms, particularly large and multinational firms, outsource production to homeworkers, especially women, to cut costs, maximize profits and retain flexibility.

3 *Working from home: From invisibility to decent work*, International Labour Office - Geneva: ILO, 2021. Though this paper was completed in Nov 2020, before the report was published, it was decided to update the paper in line with the recently launched report prior to publishing.

► **Figure 1. Working from home: The distinction between home-based workers, homeworkers and teleworkers**



As seen in Figure 1, some homeworkers are employees who work on a permanent basis from their own homes (those employees who work on an occasional basis from their homes are not considered homeworkers), while some homeworkers are self-employed workers who work from home because their employment relationships are either dependent (on one or a few enterprises) or disguised (workers who are not treated as employees but as independent contractors).

There are three types of home work and homeworkers, as discussed in and described by the report 'Working from Home'.⁴

- a) **Industrial home work:** this refers to the production of goods undertaken by homeworkers as either part of or replacing factory production but also includes artisanal production, such as the making of handicrafts;

- b) **Telework:** this refers to employees who use information and communications technologies to perform their work remotely; following Convention No. 177, the consideration is limited to teleworkers who work in their home (or another location of their choosing) on a regular or permanent basis; and
- c) **Home-based digital platform work:** this refers to service-sector tasks performed by "crowd workers", according to the specifications of the employer or intermediary, in situations in which the workers do not have the autonomy and economic independence to be considered independent workers under national law.

This report will elaborate on the first category of homeworkers, i.e. industrial homeworkers. It is critical to mention this, since due to the nature of this employment, which can be disguised, and the invisibility of these homeworkers, it is difficult

4 *Working from home: From invisibility to decent work* International Labour Office - Geneva: ILO, 2021., available at [wcms_765806.pdf](https://www.ilo.org/wcms_765806.pdf) (ilo.org)

to segregate them from other self-employed HBWs. Also, as the 2021 ILO Report *Working from Home* points out, “one of the difficulties in the legal (and statistical) classification of home work is that many workers alternate between independent home-based work and home work, sometimes over the course of a single day.” The needs of homeworkers and own-account workers are different, but their living and working conditions are similar. Homeworkers also may appear to be own-account workers even if in an employment relationship, as the employment relationships are disguised. Finally, HBWs, who are mainly women⁵ (Doane 2007; Jhabvala and Doane 2011) and whose homes are also their workplace, are usually informal (Doane 2007).

In this context, it is essential to examine not just homeworkers, but also other home-based and informal workers in home-based enterprises. This is due to the fact that apart from the category of HBWs including homeworkers, there are also different categories of vulnerable workers present in the lower tiers of supply chains. These can be categorized as follows.

1. **Homeworkers:** These workers form part of supply chains. They are mostly piece-rate workers and receive work either directly from an enterprise or through an agent.
2. **Own-account workers:** These are self-employed persons who operate their enterprises/economic units on their own account or with one or more partners and without hiring any labour. They sell their products/services directly to the market.

(These two categories are clubbed together as HBWs.)
3. **Employers:** These are self-employed persons who work on their own account or with one or more partners and who run their enterprises by hiring one or more labourers.
4. **Helpers in a household enterprise or contributing family members:** These are mostly family members who are engaged in household enterprises, working full-time or part-time, and who

do not receive any regular wages or salary (GoI 2012).

5. **Subcontractors:** They are generally seen as agents/subagents/intermediaries who may exploit workers. However, many of them are workers themselves and some may continue to work along with playing the role of the intermediary. Often, these workers are also in vulnerable situations and get exploited.

HBWs include self-employed entities (except for homeworkers, who are considered employees). As mentioned earlier, homeworkers in most countries are classified as own-account workers because of the lack of statistical tools to identify supply chain linkages and disguised employment relationships. The last three categories of homeworkers (employers, helpers and sub-contractors) do not fall under HBWs, but they do, nonetheless, work in the home-based and micro units at the lower end of supply chains. They have similar vulnerabilities and often also face similar health and safety challenges, lack of income security, etc.

According to the Department of Census and Statistics’ (DCS) Industrial Census 2013–14, there were a total of 1,019,681 economic establishments in Sri Lanka, including micro (935,736), small (71,126), medium (10,405) and large (2,412) enterprises, covering industry, trade and service sectors (DCS Sri Lanka 2015). Of the total number, about one million are micro-level, home-based business enterprises.

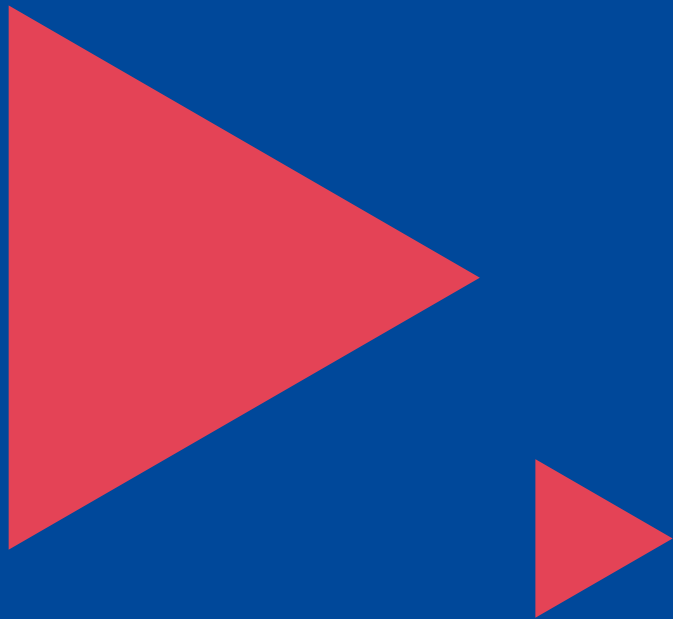
1.3 Objectives and scope of the study

The objective of this desk study is to conduct a review of literature on HBWs and those engaged in the lower tiers of supply chains, including a review of the literature on contractors, sub-contractors and workers in small and informal home-based enterprises in Sri Lanka. This includes identifying specific sectors, types of home-based work, geographical areas and their connections with global/domestic supply chains. Literature related to working and living conditions, remuneration, supply chain links, violence in the world of work, informality and occupational health and safety issues will be reviewed.

⁵ There are over 100 million HBWs in the world and over 50 million in South Asia, of which around 80 per cent are women (Jhabvala and Doane 2011).

▶ 2

Methodology



The study employed several methods for gathering information and secondary data. A comprehensive literature review was conducted, and published and unpublished papers online and offline, articles, reports, policy documents, legal documents, and academic theses in universities and other research institutions were collected and reviewed. Informal discussions were conducted with officers at relevant government and semi-government agencies, such as the Ministry of Small Enterprises, the Board of Investment (BoI), the Export Development Board (EDB) and various non-governmental organizations (NGOs).

Secondary data sources reviewed included the Labour Force Survey (LFS) 2017 and the Household Income and Expenditure Survey (HIES) 2016 conducted by the DCS, Sri Lanka. To identify homeworkers and HBWs amongst own-account workers, it is important to have specific questions on the 'place of work' as well as 'how the work has been received' by the worker. Both these questions were not asked in the LFS or the HIES. Practically, there is thus no way to statistically identify HBWs and the subset of homeworkers in Sri Lanka.

The primary purpose of this literature review is to provide a comprehensive background to understand the current status of home-based work in global supply chains and highlight the significance of new research. The narrative review method is employed since it attempts to summarize and synthesize what has been researched on the topic. This type of review can be very useful in gathering a volume of literature in relation to the study area – home-based work in global supply chains – and synthesizing it.

However, very few researchers have studied global/local supply chains with a focus on HBWs, subcontractors and self-owned and micro enterprises. There are a number of product-specific supply chain and value chain studies in Sri Lanka, though they do not specifically focus on lower-tier HBWs. Most studies are on agriculture-related products such as tea, rubber, cinnamon, dairy products and so on. Some studies focus on the textile and apparel industry, and some traditional industries such as handicrafts.

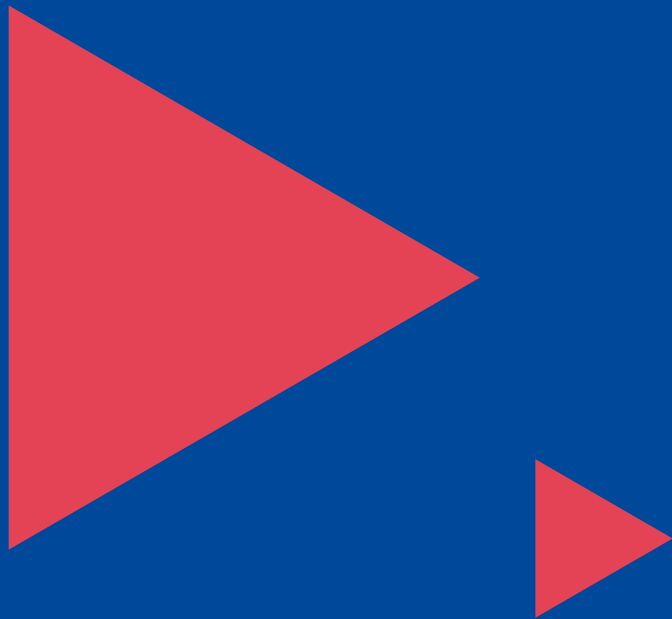
► Table 1. Data sources

Type	Source	Place/Location
Online	Online published papers, reports, cases, Convention No. 177 (related to supply chains and home-based work)	Internet
Offline	Published and unpublished papers and other documents (related to supply chains and home-based work)	Libraries and relevant ministries (industries, SME, local industries), BOI, universities
Secondary data	Industrial surveys/censuses, labour force surveys, time allocation surveys, reports on supply/value chains	DCS, Central Bank of Sri Lanka, Ministry of Agriculture, Presidential Secretariat, BoI



3

Empirical literature on HBWs in Sri Lanka



Further to the definition of homeworkers/subcontracted HBWs in Chapter 1, there are also informal workers in micro/home-based enterprises who may work as regular, contract or casual workers. The nature of their work agreement and work settings is mainly informal. Home work must be paid, and it must not have been undertaken at an employer's premises.⁶ The work should also be carried out at a worker's home or in the surrounding grounds/areas of a worker's choice but not at the workplace of the employer. Therefore, literature on home-based work and work in the lower tiers of supply chains lies in the areas of subcontracting, outsourcing, the informal sector, self-employment or own account workers, and unpaid family workers.

When industrial architectures historically changed from hierarchy to market and then to networking (Premaratna 2002), which became popular as a hybrid solution to reduce transaction costs (Williamson 1975, 1985), alternative modes of governance emerged and the sizes of firms changed from large to small. Subcontracted, home-based work became popular amongst industrialists because subcontracting (Premaratna 2001a) or outsourcing (Williamson 2008) was a good way to reduce production costs, particularly transaction costs (Premaratna 2002; Premaratna et al. 2013).

In the information age, teleworking on a permanent basis is another contemporary form of home-based work (Perera 2010). As per the 2021 ILO Report *Working from Home*, employees who are teleworkers and work from home on a permanent basis are classified as homeworkers and are covered under Convention No 177. However, employees who telework occasionally from their homes are not. The other areas of literature include local and global supply/value chains. There is also an extensive body of literature on supply and value chains, and most of this consists of product-specific reports and papers.

In Sri Lanka, a comprehensive cross-country study conducted by Jayaweera et al. (2000) examined the situation and experiences of women in five subcontracting ventures: electronics, embroidery, coir, tobacco and construction. The study clearly illustrated that

subcontracted work for women was an outcome of the use of the comparative advantage of their low-cost labour, poverty and lack of access to better economic opportunities. Women were at the bottom of the production system, lacking decent work conditions such as proper wages, social benefits and safety conditions at work. The study advocated for future research and policy changes to improve the conditions of HBWs/contracted workers. Thus, it would be necessary to collate and review the literature since that point on to identify new trends and policy changes (if any) in order to promote decent work in the area of home-based work/subcontracted work.

In a study, CENWOR, Sri Lanka, and the Siyath Foundation (2000) highlighted the fact that foreign investors preferred subcontracting to working with homeworkers as they could then avoid investments in infrastructure and get around national labour laws. These labour arrangements prevented women from breaking free of exploitation and gaining better working conditions.

Premaratna et al. (2013) studied subcontracting linkages in the garment industry in Sri Lanka, but the study did not focus on HBWs. It investigated the main characteristics of subcontracting activities and the nature of subcontracting linkages in the garment industry in Sri Lanka. Women Working Worldwide (WWW) (2004) also researched the structure of the subcontracting chain in the Sri Lankan garment industry. Garments for export were found to be subcontracted to informal enterprises and HBWs, and this project mapped the subcontracting chain of a UK-based retailer to Sri Lankan suppliers and homeworkers.

The study (WWW 2004, 11) found that smaller producers and HBWs, at the lowest tier of the supply chain, face insecurity as they "have least ability to resist these pressures and, because they lack power, they are forced to accept whatever conditions they receive". This creates complex local subcontracting chains. The study stated that the relationships between these companies and units are "volatile at best as they rely on cheap production." It further said that:

⁶ Home-based work does not include unpaid housework done by family members or paid domestic work performed at an employer's premises (such as washing, cleaning, child care, etc.).

Subcontracting splinters the industry ... by playing one firm off against another firm and by playing one worker off against another worker, all in the name of cheaper production and quicker turnaround times. The result is greater insecurity for small employers and workers, as well as increasing tensions around gender, ethnicity, religion, caste, and class.

According to the study, home-based work is characterized by “temporary employment; job insecurity; long working hours; very low wages; non-availability of pension, maternity leave, sick leave, bonuses or provident funds; bans on unionism and collective bargaining; unhealthy environmental conditions at the workplace; and sexual harassment by management.”

Stamm et al. (2006) analysed the special role agribusiness plays in the context of Sri Lanka and the links it has to global markets. They employed a value chain approach (VCA) and focused on the opportunities and challenges for Sri Lanka. The lower layer of the agribusiness sector is home-based work, and this is a very important area since a large part of Sri Lanka’s population still depends on agriculture and its related businesses, most of which are HBWs. The research studied the four value chains in Sri Lanka in detail: tea, spices, fruits and vegetables. The study concluded “(T)he absence of major international companies ... of Sri Lanka’s agribusinesses together with sometimes unfavorable framework conditions results in difficulties for Sri Lankan companies to embark on upgrading strategies (Stamm et al. 2006, 92).” This trend impacts negatively on the lower tier of producers, which mainly comprises HBWs.

In 1996, the ILO adopted Convention No. 177, which has not been ratified by many countries including Sri Lanka, and it was accompanied by the Home Work Recommendation, 1996 (No. 184). Sri Lankan labour law does not include homeworkers specifically under its mandate. In addition, the South Asian Regional Plan of Action 2007 by HomeNet South Asia (HNSA)⁷

voiced the importance of recognising HBWs (HNSA;⁸ Asian Cities Declaration on Home-based Workers 2014a). Janathakshan (a Sri Lankan NGO) conducted a project⁹ titled “Strengthening the Urban Home-Based Workers for Greater Visibility and Participation in City Governance” in 2013. The project was sponsored by HNSA and highlighted various characteristics of city-based HBWs.

HNSA and the Institute of Social Studies Trust (ISST) conducted a study in 2006 on social protection for home-based women workers in South Asia, and workers from Sri Lanka, Bangladesh, India, Nepal and Pakistan were included in the study. In Sri Lanka, a sample of 151 HBWs in the sectors of mat making (25), coir (67), reed and cane (11), jewellery (27), and batik (21) was selected. The study found that in the matter of social protection, a lack of awareness among HBWs was a crucial issue. The study identified the following factors that resulted in higher women-led informal business activities:

- (i) business subcontracting trends
- (ii) limited employment opportunities in the formal sector
- (iii) limited access of women to land and property, which limits their ability to access credit
- (iv) information technology
- (v) social constraints

HNSA researchers also conducted several studies on home-based work in South Asian countries. The main goal of each study was to understand the challenges faced by rural HBWs, but little or no attention was given to urban HBWs. According to these studies, countries in South Asia are quite alike with regard to their treatment of HBWs.

Nandi et al. (2015) carried out a study titled “Risk and Vulnerability of Home-Based Workers

7 HomeNet South Asia is a network of organizations of women HBWs. Its members are national organizations in India, Sri Lanka, Pakistan, Nepal and Bangladesh. It works towards making HBWs visible in South Asia.

8 In the year 2000, HNSA, of which Sri Lanka is also a member, was founded with the objectives of: (1) strengthening HBW organizations and networks in South Asia; (2) providing support for the development of policy frameworks; (3) supporting pilot approaches for the provision of social protection to HBWs; and (4) ensuring more favorable working conditions for women HBWs (HNSA 2014c).

9 To uplift the livelihoods of HBWs, the project linked HBWs with local livelihood support schemes and also facilitated dialogue with city officials to include HBWs in the city’s decision-making processes and policies.

in South Asia 2014", which was commissioned by the HNSA Inclusive Cities Programme. Sri Lanka was a part of the study, and three cities (Kurunegala, Kandy and Moratuwa) and 11 sectors were covered: (1) tailoring, (2) making street food, (3) producing paper bags and envelopes, (4) finishing dresses, (5) making furniture, (6) making accessories, (7) making cement pots, (8) shoe-making, (9) crafting wall hangings, (10) providing meals and (11) coir fabrication.

The study highlighted the different dimensions of the risk and vulnerabilities of HBWs in Sri Lanka, Bangladesh, India, Nepal and Pakistan. It found that, apart from Sri Lanka, a high proportion of HBWs are illiterate in South Asian countries. The study identified two groups of HBWs: (1) piece-rate workers and (2) own-account workers. Only piece-rate workers were connected to a supply chain. However, the study did not provide an analysis of supply chain connections. It also found that home-based work was a very low-income occupation but indicated that the average income of HBWs in Sri Lanka was higher than in other South Asian countries. Another interesting finding was that the majority of HBWs did not have many other options apart from home-based work to generate income. The report also found that a majority of the HBWs in South Asia did not have a bank account, except for those in Sri Lanka and India. Informal sources were the most important sources of credit for them.

In their study, Nandi et al. (2015) identified several problems faced by HBWs, such as storage of raw materials and finished goods, accessing quality raw materials, getting paid (both regular and piece rate payments), exploitation by middlemen, poor housing and infrastructure (water, electricity, drainage, unauthorized housing, and so on), occupational health hazards, and access to social protection. The study made an effort to examine HBWs' access to social security schemes and found that many HBWs were unaware of most social security schemes.

Galpaya et al. (2018) studied micro-work and online freelancing work in Sri Lanka, a modern version of home-based work, which comes under the information technology-business process management (IT-BPM) sector. Young people, particularly young women, are engaged in such work on a part-time basis in addition to their full-time jobs and studies. Many start at the low-value-added end, such as ad-clicking and logo designing, and move on to higher-value jobs such as website design.

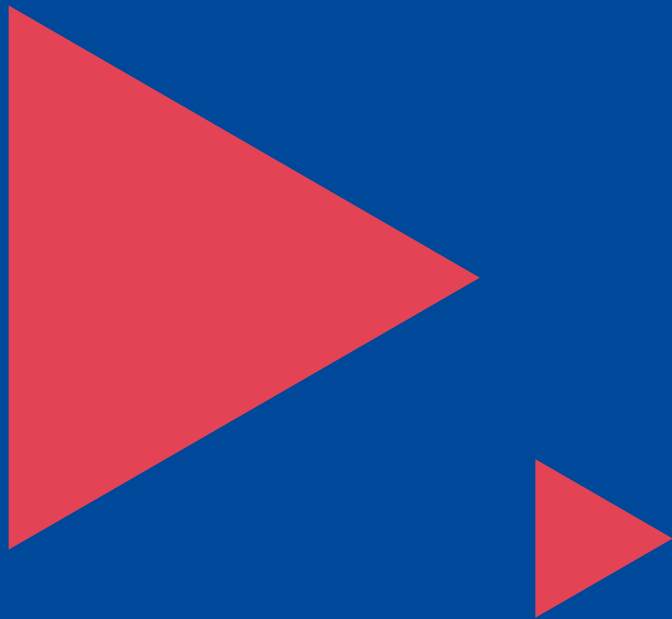
The researchers conducted a quantitative sample survey of 5,500 Sri Lankans between the ages of 16 and 40, and they also conducted qualitative interviews, which included in-depth interviews, focus group discussions (FGDs) and case studies. The results showed that there is a general lack of awareness of IT-BPM job opportunities, but urban male youth (32 per cent) were significantly more aware of such work. A majority of young women were willing to engage in such micro-work due to the flexibility of the work.

The HBWs working in the IT-BPM sector primarily connected to the global supply chain through the internet, but some local persons with IT skills also took such jobs and subcontracted them to others, mainly through their personal networks. This was considered "peer" learning and working. However, it was found that they preferred face-to-face customer relationships over relationships with those who do business online, because in the local market it was possible to earn more when dealing directly with customers. They also highlighted that the workers are price-takers and they, particularly micro-workers, do not have bargaining power. The study also identified several other issues and challenges in the IT-BPM home-based work sector.

This review of the literature shows that very few studies have been done on home-based work or HBWs in Sri Lanka. These studies are either sector-specific or location-specific. Based on the previous literature and data from the DCS, the following section aims to examine the nature of home-based work in Sri Lanka.

▶ 4

Results and analysis



The analysis in this paper is based on the available literature, studies, information and data on home-based work and HBWs in Sri Lanka, with a focus on those linked to global (and domestic) supply chains. The literature review includes data on working and living conditions, and more specifically on conditions of work, remuneration, supply chain links, links with contractors and lower-tier factories connected to supply chains, violence in the world of work, informality, and occupational health and safety issues relating to HBWs.

According to the LFS 2019, the estimated economically active population in Sri Lanka is around 8.6 million, and of which 5.6 million (64.6 per cent) are men and 2.8 million (34.4 per cent) are women. The majority of the economically inactive population (7.8 million) are women, who form 73.7 per cent (about 5.8 million) of this population.

Of the economically active population, 40.7 per cent of men and 18.6 per cent of women are employees. About 25.8 per cent of men are self-employed as compared to 7.9 per cent of women. About 1.6 per cent of men and a bigger population of about 5.10 per cent of women work as unpaid, contributory family members. The proportion of employers is 2.5 per cent amongst men compared to a meagre 0.20 per cent of women.

Of the economically inactive population, the main reason reported for the majority of women (62.4 per cent) was their involvement in housework activities. However, that percentage was only 4.3 per cent for men. The highest reported reason for inactivity among men (39.2 per cent) was “engaged in studies”, while only 14.6 per cent of women reported the same reason.

4.1 Types and characteristics of home-based work

HBWs can be own-account workers (independent workers) or employees (homeworkers). Some homebased own-account workers can be in disguised employment relationships and be treated as own-account workers, while in reality they are homeworkers. However, as mentioned in Chapter 2, the LFS in Sri Lanka does not contain specific questions that can help identify

HBWs (and the subset of homeworkers) in the larger category of own-account workers. Even the employees who report themselves as home-based cannot be identified due to the lack of a specific question on “usual place of work” in the LFS. The LFS only identifies persons employed, which includes persons who worked as paid employees, employers, own-account workers, and contributing family workers. There are no specific questions related to place of work for own-account (self-employed workers), and not all self-employed workers do home-based work. So it is difficult to estimate the number of home-based workers and homeworkers in Sri Lanka.

Nandi et al. (2015) conducted a sample survey of HBWs and found that 88 per cent of HBWs were women while WWW (2004) found that 82.7 per cent of HBWs were women. There is also a gender dimension in the geography of home-based businesses, with women home-based business owners more often located in rural areas. For example, the Sri Lankan handloom industry is also popular among rural women (EDB 2017).

Nandi et al. (2015), in studying risk and vulnerability of HBWs in South Asia, also found that the majority of Sri Lankan HBWs are young (30 per cent are in the age group of 36–45 years and 29 per cent are aged 26–35 years), and that the average age is 41.9 years. They also found that sectors such as garments are dominated by younger women. According to Premaratna (2011) if the wages of women with young children are less than the cost of childcare (hiring a domestic helper or using the services of childcare centres), women tend to resign from their jobs¹⁰ to take care of their children. In some cases, they choose home-based self-employment activities.

According to Nandi et al. (2015), each family member contributes in many ways. Women are mainly engaged in the production stage and men are involved in selling the products (Nandi et al. 2015; WWW 2004). Children are also involved, but mainly during non-school hours.

4.2 Informality

By the nature of their work and work arrangements, HBWs fall into the informal sector, which mainly includes the self-employed as

¹⁰ According to Jayaweera and Sanmugam (1993), about 80 per cent of female employees in Sri Lanka leave their jobs due to pregnancy and childbirth.

employers, own-account workers and unpaid family workers. These workers do not receive state social protection.

Table 2 shows data on informal employment in Sri Lanka, where the contribution of informal sector employment to the total employment is about 57.4 per cent (LFS 2019). Of the total non-agriculture employment, nearly 61 per cent of the workers were in informal employment in 2009 (ILO 2012), increasing to 68 per cent by 2017 and showing a marginal decline of 1 per cent in 2019 (LFS 2019), as shown in Table 2. Informal employment activities could be traced to both the informal sector as well as the formal sector. Informal employees account for nearly 30 per cent of the total informal employment, and nearly one third of these engage in the formal sector (Table 2). Formal employees account for nearly 29 per cent of the total workforce. This implies that over half of all employees in Sri Lanka (29 per cent of informal and 29 per cent of formal employees) work on an informal basis. Informal entrepreneurs (employers plus own-account workers) make up almost one third of the total workforce (31 per cent) whereas unpaid family workers make up around 7 per cent of the total workforce.

A majority of informal workers (except those covered by various insurance and pension schemes in the agricultural sector) are not entitled to any formal social security programmes. In addition, they are not protected by standard labour laws and are not entitled to paid annual leave, sick leave and minimum wages. A sizable number of informal workers, particularly workers holding low-skill informal employment, are highly vulnerable to structural changes as well as to temporary economic and social disturbances. Moreover, their monthly earnings are very unstable due to weather and market conditions.

Figure 1 shows data on the share of workers by different employment categories, namely employees, employers, own-account workers and unpaid family workers. From a social protection perspective, it is important to understand how own-account workers and unpaid family workers are distributed across different districts. In particular, unpaid family workers (HBWs) could be considered the most vulnerable group of workers. These individuals engage in economic activities mostly supporting other family members, and do not receive any payment, either in cash or kind. As a result, they are left without any financial support in their old age.

► **Table 2. Informal employment in Sri Lanka (based on LFS data)**

As a percentage of total employment	2014	2015	2016	2017	2019
Total informal employment	70	69	70	68	67
Informal employees	29	29	30	29	29
Informal employees in the informal sector	20	20	22	20	20
Informal employees in the formal sector	09	09	09	09	09
Informal entrepreneurs (employers + own-account workers)	32	32	31	31	31
Contributing family workers	09	08	08	08	07
Contributing family workers in the informal sector	08	08	07	07	07
Contributing family workers in the formal sector	01	01	01	01	00
Total formal employment	30	31	30	32	33
Formal employees	27	27	27	28	29
Formal employees in the formal sector	27	27	27	28	29
Formal entrepreneurs (employers + own-account workers)	03	03	03	04	04

Source: LFS data (compiled over various years)

► Figure 2. Share of employment by category and district, 2019 (in per cent)



Source: LFS 2017 (DCS)

Moreover, they may also face greater difficulties in switching employment, since human capital accumulation relating to a particular job activity could be limited, and in most cases, they may not have had opportunities to upgrade their skills. Further, own-account workers also face greater risks with respect to social protection since the majority engage in economic activities for survival. The share of unpaid family workers is sizable in districts such as Anuradhapura, Matale and Badulla. More interestingly, in 2019 in Sri Lanka, of the total number of employed women, nearly 16.1 per cent were unpaid family workers, while this share for men remained around 2.3 per cent.

Most own-account workers in districts such as Monaragala, Mullaitivu, Hambantota and Anuradhapura, some of Sri Lanka's poorest districts, engage in primary economic activities. Own-account workers in the Western Province are relatively skilful and educated, whereas in

other regions, skill and education levels of own-account workers remain relatively low. Hence, own-account workers in backward regions lack the capacity to protect themselves in their old age or face any risks emanating from structural changes in the economy.

4.3 Sectors

In Sri Lanka, HBWs comprise a significant proportion of the workforce in traditional industries such as garments, handloom, leather, carpet-making, coir and tobacco, as well as in modern enterprises, such as assembling microelectronics (IT-BPM). According to ILO estimates, about 25 per cent of non-farm/agricultural employment in developing countries is in home-based work. However, there is no official data on HBWs in Sri Lanka. The LFS only has information on own-account workers and unpaid family workers. Similarly, the HIES in 2016 also gathered very limited information on non-agricultural own-account workers.¹¹

11 Section 5.4 of the HIES questionnaire, DCS, 2016.

Studying Sri Lankan data, Nandi et al. (2015) found that traditional sectors, such as food preparation, pottery, and natural products, are dominated by older women. Jayaweera and Dias (1989) and Jayaweera et al. (1999) identified several areas of subcontracted home-based industries in which women are engaged, such as beedi wrapping, footwear, manufacture of artificial flowers, and manufacture of garments, electronics, and embroidery. However, the study covered only the Western Province. A majority of HBWs in the craft sector are engaged in the lower tier of production (EDB 2017a).¹² The handloom sector in Sri Lanka is also a home-based industry (EDB 2017b). It produces a wide range of products, such as upholstery fabrics and curtain material, dress fabrics, bed linen, table linen, kitchen linen, readymade garments, soft toys, hand-woven rugs and tapestries, and stationery items such as books, notebooks, albums and writing pads made with handcrafted exteriors (EDB, 2017b).

Though home-based work also takes place in agriculture, it can be very different from industrial home work, except, for example, in food processing industries. Livestock rearing also takes place at home in very different circumstances from industrial home work, which is the focus of this report.

Certain agricultural activities are mainly undertaken by HBWs as outgrower-scheme products, where systems are put in place to link unorganized, smallholder farmers with domestic and international buyers. Ninety per cent of agribusinesses are small scale and home-based and, in most cases, the entire family participates in production. However, many studies have found that women do the most time-consuming activities involved in crop production. They are involved in the early stages of the agriculture value chain, largely because this work can be done close to home and it gives them the flexibility to attend to household chores as well (FAO 2018). Rarely do they participate in the later stages of the value chain, where crops are processed and marketed for export. A value chain analysis of the agribusiness sector in Sri Lanka carried out by Stamm et al. (2006) focused on how the sector links to the international market. Many companies are engaged in such outgrower schemes, and Cargills (Sarubima

Project) and Hayleys are two such companies. However, there is no study on these types of HBWs and their engagement in the supply chain. The sector was not included in the ILO definition of HBWs since they are farmers. However, they are lower-tier workers in the supply chain.

Similarly, livestock production is a substantial component of many smallholder farming systems in Sri Lanka. This sector is generally treated as separate from home work/home-based work. However, it is important to mention it here because workers in this sector face many similar challenges and vulnerabilities to HBWs and homeworkers. Chicken, cattle, buffaloes, pigs and goats are usually the livestock raised in Sri Lanka, and according to a study on livestock farming (FAO 2018), poultry production can be done within household premises. There are also significant numbers of women engaged in small-scale backyard poultry production in Sri Lanka. They engage in the supply chain mainly through buy-back agreements with companies in Sri Lanka.

Traditionally, the raising of cattle is mainly done by men, and women are responsible for milking. However, as a result of the changing landscape of the cattle farming industry, which has now moved to stall feeding, it appears that rural women engage more and more in cattle raising. However, according to the FAO study, the dairy sector is still the domain of men in Sri Lanka. Studying the dairy value chain in Sri Lanka shows that the participation of women at different stages in the chain is inversely correlated to the increased value at a given stage and the technology involved (FAO 2018). Women are seldom involved in managing chilling centres or milk processing, which are the points that link to the domestic supply chain. Several studies highlight the fact that due to difficulties such as transport and a lack of access to training, market knowledge, network opportunities and loans, women are rarely involved in the later stages in the value chain in South Asian countries (UNDP Regional Bureau for Asia and the Pacific 2016).

Technological innovations and globalization have created new types of decent home-based work in the form of tele-work and crowd work. As described by the ILO report *Working from home: From invisibility to decent work*, tele-workers are

¹² Industry Capacity Report: Sri Lankan craft sector, EDB, 2017.

employees who do remote work on a permanent basis (occasional teleworkers are not classified as homeworkers). Crowd workers are those who work through platforms and can be independent workers or homeworkers depending on the nature of control exerted by the platform. These types of online-based work tend to attract the youth and have provided good opportunities for them, particularly young mothers, since they can work from home. Many global business process management (BPM) operations have established their businesses in Sri Lanka and provide low-value-added business services such as data entry and micro-works as well as high-value-added services, including medical image processing, financial data handling, research and consultancy (Galpaya et al. 2018). The IT-BPM industry

is booming in Sri Lanka, and it is estimated that there are around 17,000–20,000 workers engaged in web-based digital economic activities (gig economy) and the sector is expanding at an annual growth rate of 17 per cent (Galpaya et al. 2017).

Most IT-BPM activities are outsourced, and they are usually home-based work, namely freelancing and micro-work. Some of the common types of micro-work include ad-clicking, media tagging, data inputs, transcription, copy editing, graphic design, web design, etc. Galpaya et al. (2018) found that while about 32 per cent of the urban male youth in Sri Lanka were aware of such opportunities, only 25 per cent of rural youth had such awareness. However, this paper does not focus these types of activities.

► Table 3. Geographical locations of craft industries

Material of the crafts	Subcategory	Geographical distribution
Textiles	Apparel	Western and Southern Province
	Handloom industry	Western, North Western, Southern Provinces
		Maruthamunai in Batticaloa district
		Talagune in Kandy district
	Beeralu lace	Magalle in Galle district
	Batik	Island-wide
Wood	Masks	Ambalangoda in Galle district
	Elephant carvings	Central and Southern provinces
	Coconut shell-based	Island-wide
	Lacquer	Hapuvinda in Kandy district
Rattan-based		Weweldeniya in Gampaha district
Rush and reed, hemp		Manikhinna in Kandy district Polonnaruwa district Batticaloa district
Clay and ceramic		Kowulara in Monaragala district
	Terracotta pots and vases	Mawanella in Kegalle district
Paper	Recycled paper	Island-wide
	Elephant dung	
	Water hyacinth	
	Banana fibre	
	Tea refuse	
	Paddy husk	
Metal	Brassware craft industry	Pilimathalawa in Kandy district
Palmyrah-based		Batticaloa and Jaffna districts

Source: Adapted from EDB 2017a, 2020.

Industrial HBWs in Sri Lanka are usually found in the following industries:

- Garment and textile, construction, craft, metal craft, pottery, coir yarn, mat making, reed and cane, batik, pottery, handloom, *beedi*

A study (EDB 2017a) found various industrial clusters (natural clusters) in the Sri Lankan craft industry. For example, the craft industry has several clusters distributed in all the districts of the country (table 3). The study also found that most producers in such clusters were HBWs. Most of these clusters have been developed naturally from generation to generation (Premaratna 2002).

The handloom industry is also home-based. According to EDB (2020), the Sri Lankan handloom industry is clustered in the Western, Eastern, North Western and Southern provinces. The Western province is home to the majority of Sri Lankan HBWs followed by the Eastern Province and the Central Province.

4.4 Institutional set-ups, and legislation and policy environment

Internationally, the rights of HBWs (more specifically homeworkers) have been recognized by Convention No. 177, which is an international attempt to provide equality of treatment to homeworkers on par with other wage earners. The Convention states that equality of treatment shall be promoted in relation to (i) the homeworkers' right to establish or join organizations of their own choosing and to participate in such organizations; (ii) protection against discrimination in employment and occupation; (iii) protection in the field of occupational safety and health; (iv) remuneration; (v) statutory social security protection; (vi) access to training; (vii) minimum age for admission to employment or work; and (viii) maternity protection.

There are no specific institutions to look after HBWs, or more specifically homeworkers, in Sri Lanka. However, from time to time, the Government of Sri Lanka has taken several steps to facilitate workers in the informal sector. For instance, statutory pension schemes for self-employed persons were started with the Farmers' Pension and Social Security Act (1987). In 1990, the Fishermen's Pension and Social Security Act was introduced. However,

since these schemes are based on voluntary contributions, the purpose of the acts has not been achieved.

The Termination of Employment of Workman Act (TEWA) gives workers legal protection. But only those employees who have worked in firms with 15 or more workers for more than 180 days in a 12-month period enjoy protection from termination by the employer, except for disciplinary reasons. Therefore, homeworkers are not covered by the law in practice as they have disguised or hidden employment relationships (ILO 2016).

All the poverty alleviation programmes (Janasaviya, Gamidiriya, Samurdhi, etc.) implemented by the Government of Sri Lanka support self-employed workers, particularly women. These programmes are aimed at supporting low-income families and, thus, may capture only a proportion of self-employed persons and HBWs. In addition to these programmes, several ministries, departments and institutions directly or indirectly support HBWs.

Various literature shows that in its capacity, the government potentially impacts on HBWs in two directions. The first is the impact of regulations. In Sri Lanka, there are no regulations relating to home-based work. The second impact area is the government support for HBWs. As noted above, the government has several programmes to support self-employment, MSMEs and home-based agricultural activities.

Apart from state-level initiatives, several NGOs in Sri Lanka aim at supporting self-employed workers and own-account workers, and most of them target poor women. They provide a range of services including micro-credit, micro-insurance, training and capacity building, and marketing and value chain development. In 2008, HNSA established a project (SABAH – SAARC Association of HBWs) to strengthen the livelihoods of HBWs in the SAARC region, of which Sri Lanka is a member. The project developed the capacity of HBWs' organizations, provided skills and technical knowledge to HBWs, involved itself in providing sales and marketing support, and developed linkages with supply chain actors (HNSA 2014c).

HBWs are considered independent and informal workers, even though many may be in a relationship of dependency on one or more

employer, or such employment relationships may be hidden. Labour legislation in Sri Lanka does not apply to independent workers as they are considered to be their own masters. Therefore, questions regarding conditions of employment, remuneration, occupational safety and conditions, social security, freedom of association, collective bargaining, access to justice, and so on, do not arise (Chandra 2006). HBWs are not entitled to statutory benefits such as provident fund benefits, trust fund benefits, gratuity or any other social protection benefits (Jayaweera et al. 2000; WWW 2004).

4.5. Working and living conditions

Working from home has many advantages and disadvantages, though they vary by gender (Beach 1989). International literature highlights worker-specific as well as production-related advantages and disadvantages. On the production side, home-based work intends to

reduce transaction costs (Premaratna, 2002; Williamson 2008). Premaratna (2002), while analysing the subcontracting activities of SMEs in Sri Lanka, highlighted that home-based subcontracting provides cost savings for large firms, but also stated that subcontractors offer home-based SMEs low prices and that home-based subcontract workers have no bargaining power (WWW 2004). Cash is the most common form of payment.

From the workers' perspective, taking care of their families and work flexibility are the main advantages for women. However, certain types of home-based work may be dangerous to family members because of the use of hazardous chemicals or processes, particularly to children and women (HNSA 2014). There are no systematic and comprehensive studies available on advantages and disadvantages of home-based work in Sri Lanka. This desk review

► Table 4. Summary of existing social insurance programmes in Sri Lanka

Name of programme	Name of government body/act/ministry	Beneficiaries	Act number	Date of inception
Public Servants' Provident Fund (PSPF)	Department of Pensions	Public servants	Ordinance Nos. 18 of 1942 23 of 1947	1961
Widows/Widowers & Orphans (W&OPS)		Public servants	Widows and Orphans' Pension Ordinance No. 01 of 1898	1983
Medical Insurance (Agrahara)	National Insurance Trust Fund (under the purview of the Ministry of Finance and Planning)	Public servants	Act no. 28 of 2006	1997
Employees' Provident Fund	Department of Labour, Central Bank of Sri Lanka	Private sector and semi-government	Act No. 15 of 1958	1958
Employee Trust Fund	Employee Trust Fund Board	Private sector employees and public sector – those who do not benefit from pensions	Act No. 46 of 1980	1981
Farmers' Pension and Social Security Benefit Scheme (FPSS)	Agricultural and Agrarian Insurance Board (AAIB)	Farmers (but contributory)	Act No. 12 of 1987	1987
Fishermen's Pension and Social Security Benefit Scheme	Initially AAIB; now by the Ministry of Fisheries	Fishermen (contributory)	Act No. 23 of 1990	1990
Pension and Social Security Benefit Scheme for Other Employees (formerly Pension and Social Security Scheme for Self-Employed)	Social Security Board	Self-employed persons (contributory)	Act No. 23 of 1996	1996

finds that there is also a lack of literature on the working conditions of HBWs.

Jayaweera et al. (2000) examined the working conditions of women in home-based work and found that home-based subcontracting ventures usually lack decent work conditions. They do not have social benefits, and safety conditions are not assured. Premaratna et al. (2013) also found that neither contractors nor subcontractors pay proper attention to production hazards in the workplace. According to WWW (2004), conditions for workers are poor and wages are often lower than the wages received by workers in free trade zones (FTZs). However, “the living conditions are generally better as workers tend to stay within their village community” (WWW 2004, 58).

The number of hours that HBWs are engaged in work is also dependent on the availability of work and market (Nandi et al. 2015). For instance, in South Asia, including Sri Lanka, about 79 per cent of HBWs work more than 20 days in a month in peak seasons (Nandi et al. 2015, 32). A majority of HBWs work fewer hours during off season. In the garment industry in Sri Lanka, “...sixteen-hour days are not uncommon, and some workers do 60–90 hours a week. This figure does not include the additional work carried out by members of the homeworkers’ families either through direct help filling the quota or supportive help with household responsibilities” (WWW 2004, 22).

Most social protection schemes in Sri Lanka are targeted at workers in the formal sector. Those employed in the informal agriculture sector have access to the farmers and fishermen’s pension schemes administered by the AAIB. Private pension schemes are also available through a number of providers, but these are seldom affordable to those who work in the informal sector such as HBWs. In addition, formal sector workers in Sri Lanka are entitled to leave with pay, maternity benefits, job security and compensation for work-related disabilities (FAO 2018). However, informal sector workers do not have any of these provisions (Amarabandu 1996; Senanayake et al. 2016).

Though the Sri Lanka Social Security Board (SLSSB) was established in 1996 to provide social security benefits to self-employed and informal sector workers, for whom poor coverage (Arunatilake and Jayawardena 2010; Eriyagama and Rannan-Eliya 2003) and high defaulting rates (ILO 2008) are key challenges. For instance, of about 5 million workers in the self-employed

and the informal sector in Sri Lanka, only about 6 per cent have been covered by informal sector pension schemes. Among the very small number of members, there is a high percentage of defaulting before reaching the eligible age of pension (60 years). The returns on these schemes are also very low (Gaminiratne 2007). According to WWW (2004), HBWs do not have job security, pension, maternity leave, sick leave, bonuses or provident funds. Another study said, “...Though these workers are engaged in home-based work during their total lifetime, social security and labour rights such as EPF and ETF are denied to them” (Siyath Foundation n.d., 9).

Samurdhi is the main poverty alleviation (social assistance) programme in the country. However, since attending group meetings is compulsory and HBWs do not have time to attend these meetings, they are not able to get Samurdhi benefits (Nandi et al. 2015) even though a very large percentage of HBWs are below the poverty line.

Possession of life insurance is also not common among HBWs. One of the reasons is that they are unaware of insurance schemes. But mainly, it is a lack of confidence in insurance schemes that prevents them from investing since many have been witness to insurance frauds (Nandi et al. 2015). HBWs, like many others in Sri Lanka, believe saving money is better than insurance. They do not buy health insurance either since health services are free in Sri Lanka.

The literature highlights the following working and living conditions relating to home-based work:

- ▶ Lack of decent work conditions
- ▶ Lack of social protection
- ▶ Lack of health and safety procedures
- ▶ No proper attention to address production hazards in the workplace

4.6 Occupational health and safety

Health and safety issues are a constant problem among HBWs (Doane 2007; Nandi et al. 2015; WWW 2004). Twenty-one per cent of the HBWs in Sri Lanka suffer from work-related health problems (Nandi et al. 2015). This figure is very low when compared to other South Asian countries, where on average 51 per cent of HBWs suffer from health problems due to work (Nandi

et al 2015). According to Nandi et al., the major occupational health problems are posture-related pain in the back and neck (60 per cent), eye problems (11 per cent), pain in joints and limbs (11 per cent), respiratory infection (10 per cent), headaches (5 per cent) and nerve-related problems (3 per cent). Fifty per cent of HBWs get treatment regularly and meet these expenses through their regular income, while 23 per cent meet medical expenses by borrowing. Apart from occupational health problems, 15 per cent suffer from general health problems, such as high or low blood pressure, diabetes and female reproductive problems.

In the case of the garment industry, the most common health issues identified are:

[E]xcessively high temperature...; dust; inadequate ventilation; inadequate lighting; excessive noise; lack of fire-fighting equipment; blocked exits; bad sanitation; unhygienic canteens; and lack of drinking water. The physical effects of these conditions are worsened by sitting bent over a sewing machine on stools and broken chairs or using a heavy iron all day (WWW 2004, 2004, 23).

According to WWW (2004), the most common illnesses, infections and injuries are fever, headache, eyesight problems, skin allergies, kidney infection, backache, stomach cramps,

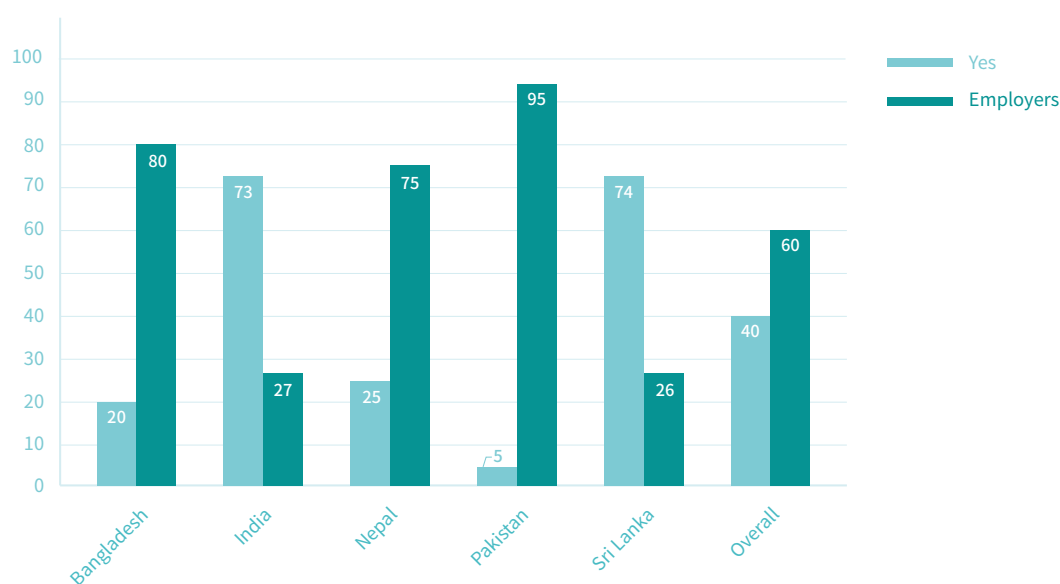
breathing difficulties and constant exhaustion. Nandi et al. (2015) found that about 49 per cent HBWs work in their bedroom or living room. They further found that only about 83 per cent of HBWs' houses have a bathroom inside the house. Others either use public bathrooms (9 per cent) or share these with neighbouring households (8 per cent). The home is the workplace for these workers, and both working and living conditions are difficult for home-based workers.

Despite the conditions in which women have to work, most women workers continue to work even when they are sick as it is difficult to take time off due to illness. Environmental problems adversely affect the health of the entire family since workers' homes are full of dust, dyes and other chemicals (Doane 2007). It is not just the workers' physical health that is at risk due to these conditions but also their "mental and emotional health as a result of excessive hours, unsustainable work intensity due to high quotas as well as verbal and psychological harassment from management (contractors)" (WWW 2004, 23).

4.7 Access to finance and indebtedness

Nandi et al. (2015) found that HBWs in South Asia mainly seek loans from the informal sector. However, they also found that the access to formal finance was the highest in Sri Lanka

► Figure 3. Access to bank accounts by country in South Asia (in per cent)



Source: Nandi et al. 2015

among the other South Asian countries (figure 3). In Sri Lanka, 74 per cent of HBWs have bank accounts, while in other South Asian countries, HBWs mainly save through self-help groups, micro-credit groups and saving committees. However, in Sri Lanka, only about 20 per cent of HBWs save through these means: self-help groups (14 per cent), micro-credit groups (5 per cent) and savings committees (1 per cent) (Nandi et al. 2015), indicating that HBWs in Sri Lanka are not involved in group-based micro-financing.

Though the HIES 2016 reported that a very small percentage of HBWs (6.85 per cent) borrow money from moneylenders, Nandi et al. (2015) found that about 62 per cent of the HBWs included in the sample borrowed money from moneylenders. This is very high when compared to their counterparts in other South Asian countries. Neighbours, relatives and friends are the primary sources of borrowing for other countries in South Asia. But as the Central Bank of Sri Lanka (2019, 2021)¹³ pointed out, a large number of unregulated moneylending businesses could create issues for small- and medium-scale enterprises as they charge large rates of interest and there is a lack of protection for the customer.

4.8 Remuneration

Since many HBWs link to local or global supply chains through subcontractors and the orders they receive are not stable, their income is unstable as well. Many firms prefer to subcontract HBWs since they absorb many of the overheads and production costs such as space, electricity, equipment, maintenance and even materials, such as thread in garment sewing.

The wages paid to workers in the lower tiers, including HBWs, within the garment supply chain are low, late and incomplete. The information and quotes in this paragraph and the next are from a WWW (2004) study. The study found that “wages are purposely made complex, so that the workers cannot compute their wages in advance or know if they have been underpaid. Calculating wages can be based on piece rate,

time rate, or a mixed piece rate and time rate is also mentioned.”

Further, workers also face a long list of offences for which money can be deducted from their wages. “These range from being sick or late to not achieving daily or weekly quotas. Legitimate deductions for various social welfare payments are frequently made but the deductions are not remitted to the government.” On the other hand, quality control is a controversial area in relation to wages. “In some cases, workers are obliged to repair errors without payment. In other cases, workers must pay for mistakes as well as repair them.”

The findings of WWW indicated that during the peak season in the garment industry in Sri Lanka,¹⁴ “homeworkers’ and factory workers’ wages are almost equal, as homeworkers get higher bonuses and only marginally lesser wages.” However, when the overall salaries were compared, differences were found between the wages of formal and informal workers. “Wages in the informal sector are about 40 per cent lower than in formal work, with some workers earning only \$1.03 per day. Although their monthly wages are generally paid on time, few workers receive social welfare benefits” (WWW 2004, 19–20).

After deductions and bonuses are adjusted in their wages, it can be almost impossible for workers to calculate their wages in advance or to check whether the amount they have been paid is correct. As a result, the net remuneration of HBWs may be less than indicated by the piece rate that they are paid (HNSA and ISST 2006).

Traditionally, minimum wages have been criticized as harmful for new job market entrants. The argument is that wage increases could lead employers to seek automation as opposed to hiring workers.

4.9 Supply chain links

HBWs link to global and domestic supply chains¹⁵ in many sectors. Taking a broader view, all these sectors have production linkages, including forward and backward linkages (Premaratna 2001b). One of the areas in relation to production

¹³ “Legislation to regulate unregulated money lending activities before Cabinet”, The Daily Mirror, 8 January 2021.

¹⁴ The sample size was 30.

¹⁵ Sudarshan & Sinha (2011) used the concept of value chain for supply chain to situate home-based work within the larger production system.

linkages is subcontracting (Premaratna 2002; Premaratna et al. 2013; WWW 2004). Premaratna (2002) highlighted that:

“... most of the enterprises of these clusters are dependent on and linked as subcontractors to one or a few large enterprises.

...

It is very clear that larger enterprises also have to play a bigger role on subcontracting linkages. For example, Nestle Company in Sri Lanka has organized the supply of milk from more than 14, 000 registered farmers in different “districts”. It further found that “foreign companies usually establish linkages with domestic large-scale enterprises because small enterprises in developing countries do not have enough capacity to establish direct contacts and also are not capable of dealing with foreign companies directly (Premaratna 2002, 184).”

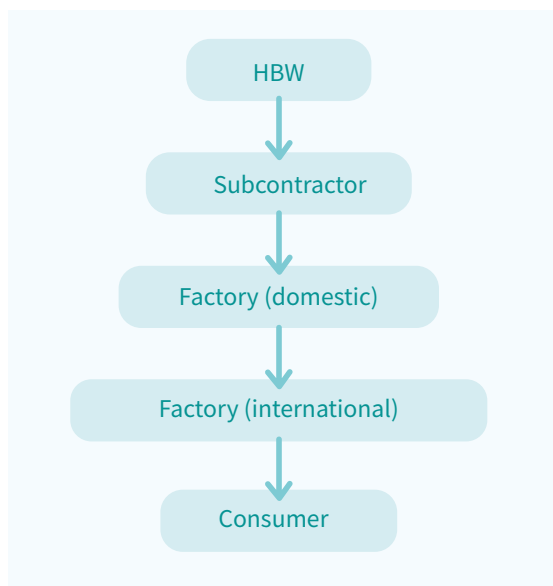
The models in figures 4, 5 and 6 show that HBWs link to supply chains mainly through subcontracting.

Home-based work links to the global supply chain either directly through a domestic factory (model 2, figure 5) or another subcontractor (model 1 and model 3, figures 4 and 6).

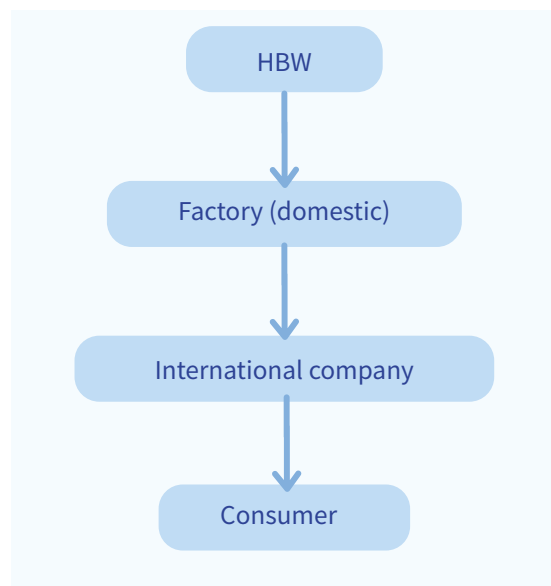
A good example of HBWs and their role as subcontractors are the self-employed producers in the Dambadeniya Export Production Village (DEPV).¹⁶ All of the producers in the DEPV are engaged in subcontracting activities and link to the global supply chain through a local company (Premaratna 2002). The same study found that 69 per cent of the subcontracted transactions in the garment sector take place with regional-level factories, while only 35 per cent of the subcontracted transactions take place with national factories. In some cases, home-based subcontractors get orders from large factories and distribute them on an informal basis to a few others, mainly friends and relatives (WWW 2004). The study quotes a woman HBW: “Items are distributed among above 15 neighbours when I get orders” (WWW 2004, 81).

The craft sector is another example where such subcontracting happens. Most micro-scale manufacturers¹⁷ link to the supply chain either

► Figure 4. Home-based work link: Model 1



► Figure 5. Home-based work link: Model 2

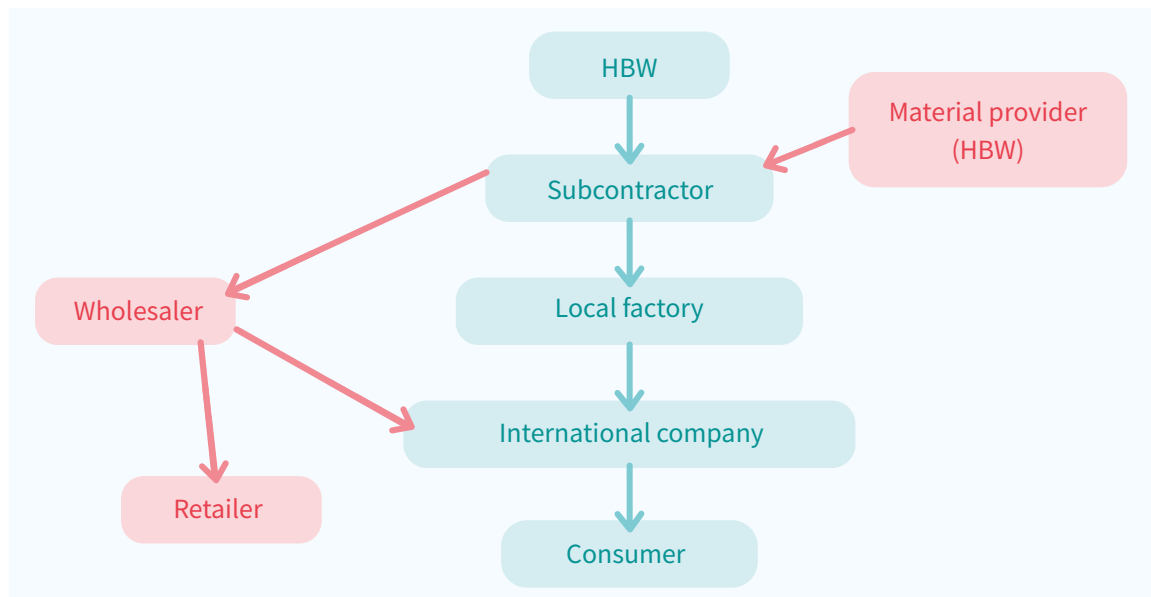


Source: Developed by the authors.

¹⁶ In 1981, the Semasahitha Dambadeniya Apanayana Banda Sanwardana Samagama was started under the concept of Export Development Villages, which was imposed by government policy. They produce mainly handicrafts. See more about the DEPV at <http://www.depv.lk/>.

¹⁷ Their range of products includes soft and wooden toys, ceramic and porcelain ornaments, wood crafts, handloom products, bags, table mats, coasters, wall hangings, lampshades, household accessories, furnishing, terracotta pots and vases, paper crafts, baskets and wicker ware, artificial flowers, hand embroidery, Beeralu lace products, candles, wrapping papers and packaging, wellness and spa products, and so on (EDB 2017).

► Figure 6. Home-based work link: Model 3



Source: Developed by the authors.

by directly supplying to the domestic market or subcontracting to exporters¹⁸ (EDB 2017a). In the Sri Lankan handloom industry, home-based producers link to the global supply chain through co-operative societies.¹⁹ Some export-oriented companies (such as Selyn Exporters Pvt. Ltd, Barbara Sansoni Exports Pvt. Ltd, Kandygs Handlooms Exports Ltd, IC Collection Pvt. Ltd, Asian Fabrics Ltd, Ko-Lanka Pure Silks Pvt. Ltd, Suntext Handloom Industries, and Kelani Fabrics) give subcontracts to cooperative societies (EDB 2017b).²⁰

In South Asia, about 61 per cent of the work of HBWs comes from either individual contractors (51 per cent) or company contractors (10 per cent) (Nandi et al. 2015). Only 39 per cent of the HBWs

reported that their work was self-arranged. However, these figures vary across sectors. For example, in the garment sector, about 65 per cent of HBWs indicated that they got work from contactors, while in the pottery sector, about 94 per cent of home-based pottery workers reported arranging their own work (Nandi et al. 2015, 27).

In Sri Lanka, the majority of the HBWs engaged in making garments receive work from individual contractors (Premaratna et al. 2013).²¹ Based on a survey WWW conducted in Sri Lanka (2004), about 73 per cent of HBWs received work directly from a factory, while only about 27 per cent worked through another subcontractor. This indicates that in some sectors, HBWs link

18 The United States, Japan and Europe are important export destinations.

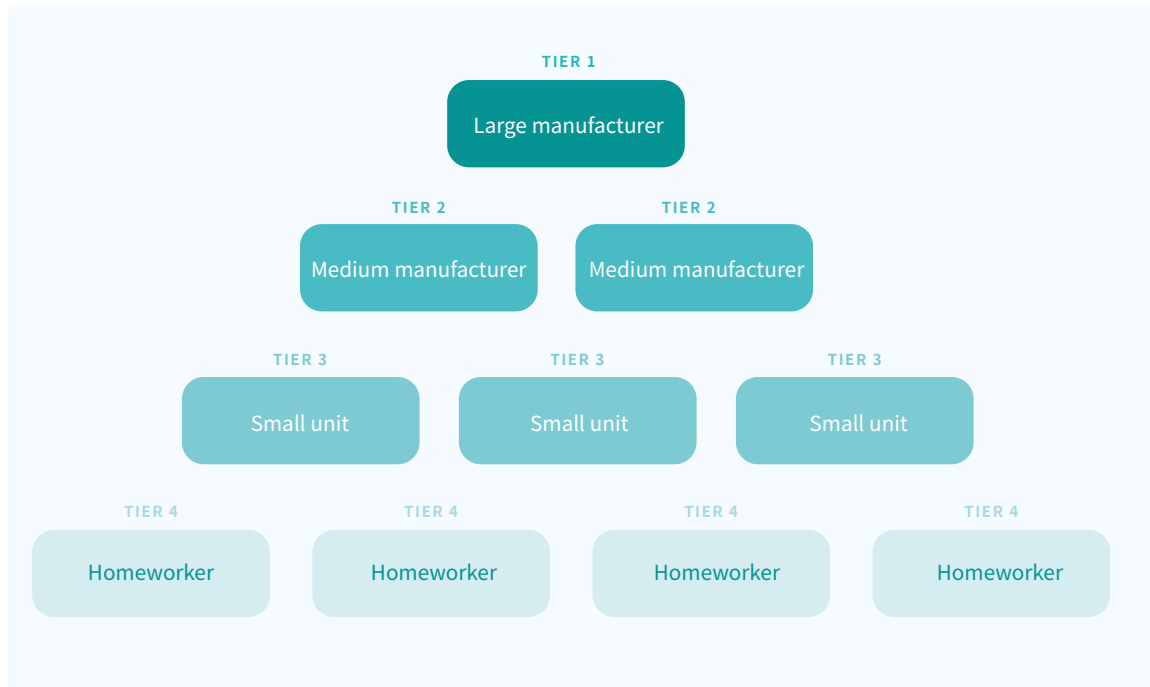
19 The eight provincial councils have 771 production centres (EDB 2017b).

20 The industry serves both local and international markets with a wide range of products. Export markets for handloom products include Italy, Germany, Australia, France, Spain, Japan, Korea, Sweden, USA, Vietnam, Lebanon, Thailand, UK, Norway, Netherlands and others (Ministry of Industry and Commerce 2012).

21 Premaratna et al. (2013, 70) identified four different ways of subcontracting engagements in the garment industry Sri Lanka:

- a) The work is subcontracted out to independent small firms or factories.
- b) The work is subcontracted out to a regular worker of the same company. This worker is usually the line manager or team leader or supervisor of the company.
- c) The work is subcontracted out to another sibling company.
- d) The work is subcontracted out through a middleman. These middlemen get orders from factories and subcontract to other firms. They normally ask for a commission of 5–10 per cent. In many cases, the middlemen are former employees (managers, line leaders and supervisors) of the mother company.

► **Figure 7. Simplified supply chain showing vertical and horizontal manufacturing subcontracting chains**



Source: WWW (2004,14).

directly to the supply chain. Subcontracting is the straightforward process of one or more large factories subcontracting directly to a small firm or HBWs (WWW 2004), and HBWs do not know about the entire supply chain. They know only the level that they are connected at (WWW 2004).

According to WWW (2004), smaller export orders and domestic production have smaller chains. These chains may not begin in Tier 1, but may begin in tiers 2, 3 or 4, depending on the size of the order. In the second tier, there are manufacturers who are still large, but do not have the international scale of the companies in the first tier (figure 7). In some cases, these factories are subsidiaries of first-tier companies. Tier 2 companies can vary quite widely in size: "In Sri Lanka, they employ 40–80 workers" (WWW 2004, 15).

Manufacturing units in Tier 3 tend to be much smaller in scale. "The factories range small factories, sweatshops and informal factories to units operating out of someone's house. Again, the size of these units varies depending on the location: in Sri Lanka they can have twenty

employees ... in Tier 3 units" (WWW 2004, 16). In Tier 3 units, orders are either subcontracted from Tier 2, or the unit receives smaller independent orders from local retailers and/or wholesalers. Workers' rights and health and safety conditions are under even greater pressure at this tier.

More than 75 per cent of home-based subcontractors are satisfied with their subcontracting relations. The main problem that small subcontracting firms often face is unstable ordering patterns: irregular orders and unstable quantity (Premaratna 2002). Further systematic subcontracting relationships have not yet been developed within small enterprises in Sri Lanka (Lakshman et al. 1994; Premaratna 2002). "Most of the existing subcontracts are unsteady and irregular relationships and are among friends" (Premaratna 2002, 182). Systematic subcontracting has still not developed in Sri Lanka, according to Lakshman et al. (1994), mainly because of the lack of confidence in the ability of small enterprises to carry out work reliably. According to Premaratna (2002), home-based subcontract producers face the following difficulties:

- ▶ Unstable ordering patterns
- ▶ Strict quality requirement and rejection
- ▶ Inadequate profits
- ▶ Changes in design and specification

However, contractors provide various assistance to home-based subcontractors. They include marketing support, provision of materials, technical assistance, financial assistance and training (Premaratna 2002, 170). One of the key findings of the studies conducted by Premaratna (2002) and WWW (2004) is that home-based small producers received subcontracted orders through their personal (social) networks.

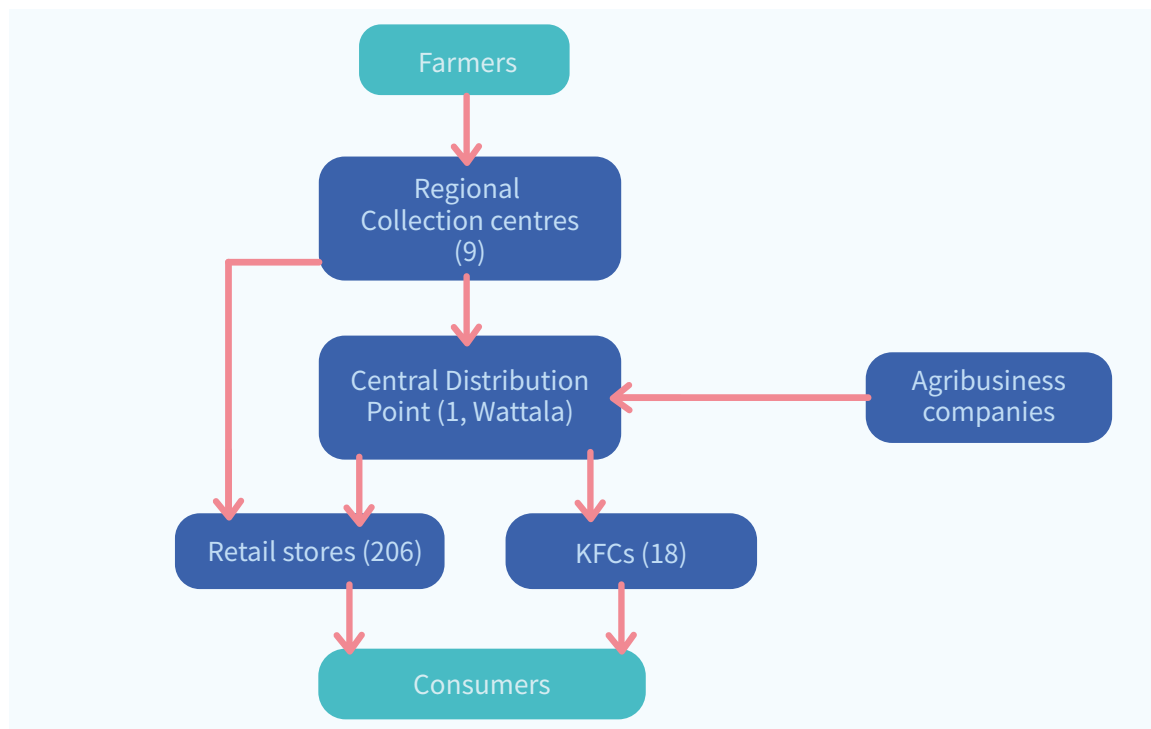
As Mehrotra and Biggeri (2002) pointed out, HBWs in developing Asian countries, including Sri Lanka, are on the “dirt road”²² level of development because there are minimum

earnings, no human development and very little government action to ensure social protection for workers.

Another example are the outgrower schemes in the agribusiness sector in Sri Lanka. Under these schemes, small home-based farm units link to large companies.²³ Supermarket companies in Sri Lanka (Cargills, Keells, Laugfs and Arpico) are good examples (Vidanapathirana et al. 2011). The large companies provide production and marketing services to home-based smallholders (Stamm et al. 2006), who are growers and micro-scale producers in the lower tiers in the value chain, for example, cinnamon growers and independent peelers (IPS 2017; UNIDO 2016).

The structure of Sri Lanka’s cinnamon sector is highly complex, covering a long supply chain, which includes small holders, large producers, plantations, small collectors, large collectors, traders and dealers at village-level pack houses,

▶ Figure 8. Cargills’ supply chain

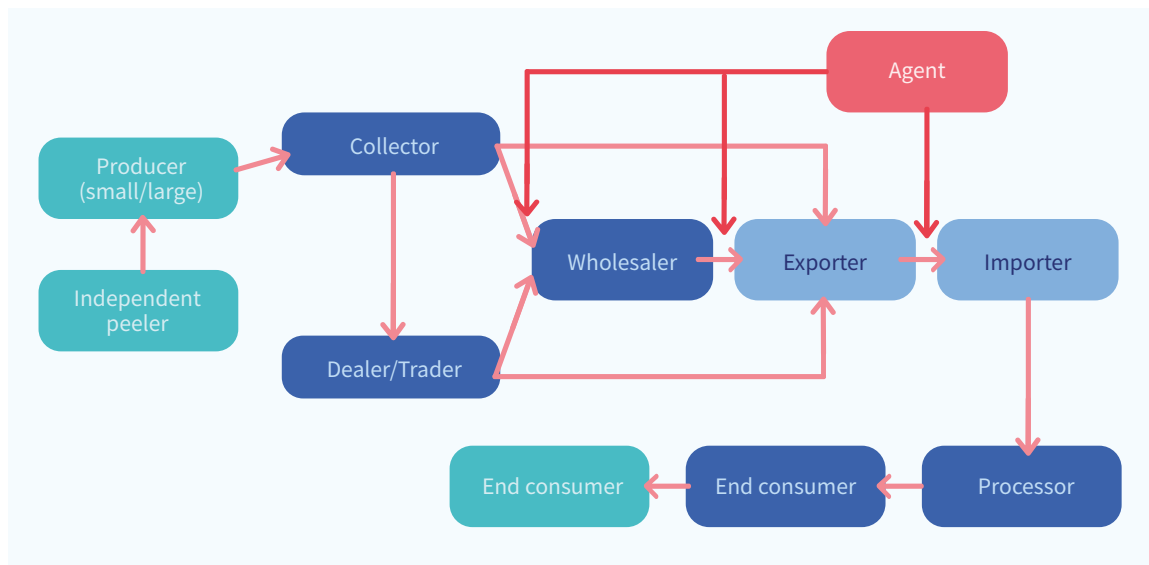


Source: JICA 2013

22 Low roads and high roads are the other two roads to development for HBWs. The low roads have limited vertical linkages, limited involvement by the government and other stakeholders. In the high roads to develop micro-scale businesses, all the stakeholders are involved, they link with other firms in value chains and are supported by the government (Mehrotra and Biggeri, 2002).

23 Outgrower farming, which is called the modern agri-business channel, is different from the traditional agri-business channel (see JICA 2013).

► Figure 9. Cinnamon supply chain and home-based work



Source: UNIDO 2016

traders/shippers and dealers at the town level and, commission agents and exporters (UNIDO 2016). The small-scale growers and independent peelers²⁴ (who are usually HBWs) link to domestic and global supply chains through collectors and local large companies (figure 9). The workers who collect many spice products (cinnamon, pepper, cardamom) are also HBWs, and large companies perform processing and marketing and manage the entire operation (Stamm et al. 2006). From the home-based smallholders' points of view, one of the problems is that smallholders are highly dependent on the contractor company (Stamm et al. 2006).

The schemes, however, provide many advantages to smallholders, which include income security, access to market, access to up-to-date information, access to inputs, network benefits, and lowering transaction costs. However, the outgrower schemes in Sri Lanka have failed to reach any depth of outreach, and were able to reach only the better-off farmers (Stamm et al. 2006). A similar model can be found in the handloom textile industry in Sri Lanka, where lower-tier products are mainly produced with home-based work (Dissanakaye et al. 2017) (see box 1).

The value chain approach (VCA) is a recent approach, and it is one of the best ways to understand the role of HBWs and their links to domestic and global supply chains. It covers all agents from lower tiers to end-consumers in international markets. Many funding agencies and policymakers use the VCA to develop self-employment and MSME sectors, including home-based work (Morris 2002). The approach deals with the dynamic linkages among productive activities, and it goes across economic sectors and national boundaries, whereas traditional economic models focus on a single economic sector.

This approach focuses on linkages between firms. Value chains are either producer-driven or are buyer-driven, and large firms play a leading role in integrating MSMEs into domestic and global supply chains (GTZ 2003). Stamm et al. (2006) employed a VCA to analyse the agribusiness sector in Sri Lanka and found that there are no "buyer-driven" value chains in this sector in Sri Lanka. They also found that many opportunities for value addition and export expansion exist adopting a VCA. The opportunities for agribusinesses in Sri Lanka are generated through (i) entering the global market, (ii) increasing demand for value-added products,

24 Peelers are mainly women (UNIDO 2016).

► Box 1. The handloom manufacturing industry in Sri Lanka

This is based on a case study of X Ltd (a handloom textile manufacturing company) conducted by Dissanayake et al. (2017). The company was set up in 1991 with 15 women employees and gradually developed into a social enterprise. The company produces a variety of handloom textile-based products and has captured a place in the global market as a supplier of these items. The company has four major production facilities located in rural areas in Sri Lanka, and it has various decentralized home-based weaving centres that have linked to the four production facilities. The company provides opportunities for women home-based producers. It also provides raw materials, trainings, appreciation for new design ideas, and commitment to purchase their products.

Source: D.G.K. Dissanayake, S. Perera, T. Wanniarachchi, *Sustainable and Ethical Manufacturing: Manufacturing: A Case Study from Handloom industry, Textiles and Clothing Sustainability* 3 (2): 1–10.

and (iii) increasing demand for non-traditional fruits and vegetables. Lower-tier HBWs will also benefit from these developments. The following challenges, however, were highlighted by Stemm et al. (2006): (i) on the supply-side, growing competition from other countries, and (ii) on the demand-side, a demand for broader variety and higher quality products.

4.10 Reasons for engaging in home-based work

Though there is no comprehensive study on HBWs in Sri Lanka, some studies (WWW 2004) have identified various reasons for workers to engage in home-based work. According to WWW (2004), the reasons include (i) to be able to earn extra money; (ii) the ability to work while doing household chores; (iii) not being required to travel; and (iv) freedom.

They can be summarized as follows:

- Convenience
- Reducing costs
- Work-life balance
- Household chores
- Childcare considerations – especially for women (Premaratna 2011; WWW 2004).

All of these reasons can further be categorized into three categories: (1) family-related reasons (domestic work, childcare), (2) personal reasons (illness, disability, elders), and (3)

business-related reasons (cost reduction, business premises, availability of unpaid family labour). Children and women assist home-based work, but they are unpaid.

4.11 Issues and constraints

In the case of the agribusiness sector, in the study that forms the basis of this section (Stamm et al. 2006), no typical case of buyer-driven value chains was found in Sri Lanka since international companies are not interested in Sri Lanka, except for tea and other minor plantation crops. This is due to (i) smallness of the territory, (ii) land fragmentation and (micro) small-scale operation, (iii) rigid land policies, and (iv) unfavourable economic and political environment (unfavourable business environment). This might affect home-based agribusiness producers badly. However, no systematic study has been done in this direction. According to the study, relational chains²⁵ are the most promising option for the agribusiness sector in Sri Lanka. Relational chains also have potential for small-scale agribusiness producers, in which the majority are lower-tier HBWs.

In the agribusiness sector, home-based producers are highly dependent on middlemen to link them to the supply chain. The study found that power asymmetries are high in the sector, and that information asymmetries can be observed throughout the agribusiness supply chain. Lower-tier producers are the most disadvantaged group in such agribusiness supply chains.

²⁵ The complexity of the transactions is high and depends on mutual trust, which develops through social networks. This is a hybrid solution to market and hierarchy.

► Box 2. Views of a HBW in Sri Lanka (W. Gamage)

W. Gamage engages in handicraft making and was the president of a social enterprise comprising 78 women in 2010.

Gamage made these points at a conference titled “Building Visibility and Voice through Responsive Homebased Workers’ Organizations in Asia: Focus on ILO Convention 177 on Home Work”, which took place on 2–3 August 2010 in Manila in the Philippines.

According to her, the common issues faced by women HBWs include: (i) no recognition, (ii) no fixed income, (iii) lack of access to credit, (iv) problems selling products, (v) expensive raw materials, (vi) no quality measurements, (vii) lack of trainings, (viii) rejection of finished goods, (ix) limited access to water and electricity, and (x) difficulty in transporting goods and materials.

Source: HNSA 2010.

Lower-tier producers are the most disadvantaged group in these agribusiness supply chains. Home-based farmers do not receive valuable or even the latest information about market trends, which include prices, consumer preferences, quality requirement and legal requirements. According to the study, this prevents farmers from accessing systematic learning and upgrading processes, which would help them improve their products and position them within the value chain.

To face such challenges, various forms of producer groups (export villages, processing villages, cluster villages) have been set up in Sri Lanka. Research studies found that many of these organizations and groups have failed to produce desired outcomes because the farmers do not have proper administrative skills.

Urban home-based work is very significant since HBWs as: mainly live in urban or peri-urban areas (Nandi et al. 2015). However, urban HBWs, their characteristics and issues are different from rural HBWs. While rural HBWs are predominantly agribusiness-related, urban HBWs are more diversified. Their issues are also more wide-ranging. Though many organizations, which include government, non-government and private organizations (municipal councils, divisional secretariats, Divineguma, Samurdhi, the Industrial Development Board, women’s societies, and so on), are mandated to provide services to urban HBWs (particularly women HBWs), these workers constantly face various issues and constraints, most of which are related to infrastructure facilities such as access to road,

water, poor drainage systems and electricity (HNSA 2013a; Nandi et al. 2015).

About 27 per cent of the urban HBWs in Sri Lanka reside in unauthorized areas, though 68 per cent of the houses are permanent structures (Nandi et al. 2015). There are many social issues among urban women HBWs, such as domestic violence and drug addiction. HNSA (2008) further identified common issues faced by South Asian countries, including minimum remuneration, poor working conditions, lack of social protection, lack of access to markets and raw materials, lack of steady flow of work throughout the year, poor technology, and lack of skill training, credit and information.

The Siyath Foundation identified the main issues faced by HBWs: (i) the limited opportunities for women to access technical training, (ii) lack of labour laws applicable to HBWs, (iii) the vulnerability hidden in the term “flexible workers” and resulting opportunities for exploitation, and (iv) the impact of gender relations in the household and the workplaces of HBWs. The study further found that better physical conditions or work-friendly environments are not considered as relevant to HBWs and that they get very little guidance regarding their physical well-being. It provided examples:

This situation can be proven in the case of the coir workers who go into retting pits wearing just a cloth that exposes their female reproductive organs to the substances in the pit where bacterial reactions take place. Being in the pit water up to their armpits they come in close contact with this retting smelly water.

Their skin gets totally soaked for long hours. No research has been done on these factors. Similarly crochet makers and sewing women work during late hours, which gives scope for eye illnesses. (Siyath Foundation n.d., 61)

Nandi et al. (2015) identified the lack of proper space for storage, high costs of raw materials, irregular supply of raw materials, high dependency on middlemen for raw materials, unsteady market for products, lack of timely and regular payments, and lack of home-level infrastructure (electricity, space, ventilation) as the major problems faced by HBWs in Sri Lanka.

The issues identified (Nandi et al. 2015) for IT-BPM home-based work include (i) data quality, (ii) data upload speed, (iii) data cost, (iv) payment methods (for example, Sri Lanka does not allow PayPal payments), (v) electricity and power failures, and (vi) lack of acceptance by family and friends. The lack of social acceptance was highlighted by a young participant at an

focus group discussion: “In Sri Lanka, there is a culture that has been followed where we have to dress and go outside for a job” (Galpaya et al. 2018). These jobs are also very vulnerable to external shocks and technological changes. Hence, these employees may face greater risk and vulnerabilities if not protected through social security programmes.

Based on the existing literature, table 4 summarizes the issues faced by urban women HBWs. Overall, HBWs in Sri Lanka are isolated, unrecognized, unorganized and subject to irregular work orders. They lack effective legal and social protection, bargaining power and basic and necessary infrastructure. They face many problems such as occupational health and safety risks and live in poor housing with a lack of facilities and protection. A former Minister of Rural Industries and Self Employment Promotions in Sri Lanka, Premalal Jayasekara, pointed out that HBWs are an important component of the informal sector who are

► Table 5. Issues faced by urban women HBWs

Key area	Specific issues
Infrastructure	• Poor access to roads • Limited access to water • Limited access to electricity • Poor drainage systems • Slum dwellers • Insufficient space for home-based work • Poor waste management • Inadequate shelter • Poor ventilation facilities
Production and market	• Access to credit • Marketing – mainly depend on middlemen and subcontractors • Lack of stable market • Difficulty of access to raw materials • Exploitation by middlemen • Unable to obtain business registration due to illicit dwellings
Social	• Domestic violence • Sexual abuse • Drug addiction and alcoholism • Low level of skill and training • Child labour
Livelihood	• No recognition • Low income and irregular income pattern • No social protection • No basic labour rights • Isolation
Health	• Mosquito-borne diseases • Water-related diseases
Technology	• Conventional technology • Poor in technological knowledge

Source: HNSA, 2013a, 2013b, 2013c, 2014c; Nandi et al. 2015; WWW 2004.

struggling for their day-to-day living; they contribute immensely to the economy but are neglected (HNSA and FESI 2008). The reality is that large companies label subcontracted HBWs as self-employed in order to avoid the legal obligations of employers such as paying statutory benefits like employee provident fund and all other employer responsibilities toward workers (Jayaweera and Dias 1989; WWW 2004). Ultimately, they are (self-employed, subcontracting workers) casual workers (Gothoskar 2002).

4.12 Gender dimensions

Home-based work is beneficial for women as it enables them to combine their unpaid household responsibilities with paid work while remaining at home. However, studies or data on the gender dimensions of home-based work in Sri Lanka are limited. Traditionally, household chores are the responsibility of women in South Asian countries (Doane 2007; Gunawardana 2018). However, Doane (2007) and Nandi et al. (2015) found that among the other countries in South Asia, Sri Lanka reported the highest number of males assisting in domestic work, such as taking care of children and the elderly. Women engage in these domestic responsibilities along with their income generating home-based work. Therefore, women in these counties clearly perform a “triple role” (production, reproduction and community engagement). Domestic responsibilities are seen as the primary responsibility for women while home-based work is done only as the secondary responsibility. Gunathilaka (2016) found that over 90 per cent of full-time homemakers would accept employment if they could work from home. The majority of low-income and highly vulnerable HBWs are women (Doane 2007). They are involved in home-based work because they do not have any other skills (Doane 2007).

In home-based work, men take up the main responsibility while women perform work at the production stage (Nandi et al. 2015). When home-based work becomes successful and expands, there is a tendency for men to tend to take on more responsibilities, leadership and ownership (Premaratna 2001c). Women’s contributions are neither recognized nor regarded as actual work (Doane 2007; Nandi et al. 2015).

As pointed out by Nandi et al. (2015), HBWs use their earnings mainly for household

expenses, with women contributing 77 per cent of their earnings to these expenses and men contributing 88 per cent. While men do not save, women save 2 per cent of their earnings. Table 5 shows the nature of the use of earnings from home-based work by men and women.

► **Table 6. Use of earnings from home-based work by gender (in per cent)**

Use of home-based work earnings	Men	Women
Expenditure on self	2	2
Given to spouse/pool to in the household income	8	14
Spend on children	2	5
Household expenses	88	77
Saved	0	2

Source: Nandi et al. 2015.

HBWs spent their money mostly on food, and “the earnings are not sufficient for food at least (WWW 2004, 75).” According to Nandi et al. (2015), if their work stopped, household expenses on food would be most affected. This is a real concern for food security. Many women HBWs do not have a fixed income. They also earn relatively less money. They also face many social restrictions and gender-based discrimination (Nandi et al 2015). “Buyers will come to home, and I feel shy to take this stuff to market ... it is very far. There is a market which is very far; men will be at the market. I feel shy to go there, if I go to market it is [a] shame to me...,” reported a woman HBW who wove mats in a case study (Gunawardana 2017). Unlike office workers, Women HBWs may not have access to opportunities for education, training, credit and information regarding market and raw materials (Doane 2007). These restrictions affect their opportunities and consequently they become more vulnerable than their male counterparts.

Following current trends, more and more young women are willing to engage in home-based work in the IT-BPM sector on a part-time basis (Galpaya et al. 2018). The study found that a majority of the micro-workers in the IT-BPM sector work on a part-time basis, while engaging in full-time jobs or studying because micro-work is flexible. “I go to university and come and do this work during evenings,” said a respondent (Galpaya et al. 2018, 240). Therefore, this is a

huge untapped market, and women with young children are a good target group for this sector.

4.13 COVID-19 and home-based work

The COVID-19 pandemic created a new chapter in home-based work. Many jobs in different versions and proportion were converted to home-based jobs or offered work from home as a result of lockdowns, though not all economic activities can be done at or from home. However, traditionally invisible HBWs have become visible now, and new HBWs are doing executive level

jobs. This study, though, focuses on traditional HBWs.

The ILO (2020) highlighted that the COVID-19 pandemic had negatively affected many traditional HBWs since the crisis disturbed supply chains. Some of the measures taken by the Sri Lankan government to mitigate the effects of the pandemic indirectly address the needs of HBWs in the country, even though these measures may not have been targeted at HBWs. The relevant measures are detailed in box 3.

► Box 3: Selected key policy responses to COVID-19

Some of the important responses/measures by the Government of Sri Lanka to address the challenges related to COVID-19 pandemic include the following:

Fiscal sector

- Establishment of a COVID-19 healthcare and social security fund
- Granting tax exemptions on the import of raw materials and packing materials by pharmaceutical manufacturers
- Provision of a cash allowance of 5000 Sri Lankan rupees to senior citizens, persons with disabilities, kidney patients, farmers and displaced daily workers for the months of April and May 2020
- Payment of an interest-free advance of 10,000 rupees to Samurdhi beneficiaries through all Samurdhi banks
- Introduction of a one-month grace period to the general public for the payment of utility bills and monthly credit card bills of less than 50,000 rupees
- Suspension of loan repayment deductions from salaries for all public sector employees drawn from advance accounts until further notice
- Imposition of a maximum retail price for face masks

External sector

- Suspension of foreign currency outflows for investments by Sri Lankans, outward remittances and repatriation of funds by emigrants for three months

Monetary sector

- Suspension of leasing loan repayments for a period of six months for 1.5 million self-employed persons, including owners of three-wheelers, trucks, school buses and vans, and self-employed motorists
- Injection of liquidity amounting to 65 billion rupees into the market to facilitate economic activity
- Introduction of a 50-billion-rupee re-financing facility to support businesses and the economy
- Reduction of the interest rate for credit card domestic transactions to 15 per cent up to 50,000 rupees and a 50 per cent reduction in minimum monthly charges
- Opening of all bank branches during non-curfew hours to provide maximum service to customers

► Box 3: Selected key policy responses to COVID-19 (continued)

Administrative operations

- Establishment of the National Operations Centre for the Prevention of COVID-19 and appointment of presidential task forces on COVID-19 healthcare, education, care, economic revival and poverty alleviation, and a high-level coordination council to manage health risks and economy-easing strategies
- Payment of pensions to 645,179 pensioners through divisional secretariats and postal services
- Implementation of the Saubhagya Home Garden programme to ensure food security in the country
- Provision of fertilizer, seeds and plantation material for Samurdhi beneficiaries to encourage farming

4.14 Opportunities and challenges

Stemm et al. (2006) examined the opportunities and challenges for agribusiness producers in Sri Lanka, and the opportunities included a larger global market and a huge demand for value-added products (2006, 48). The challenges were identified as supply-side (growing competition, low cost products from other countries) and demand-side (demand broader variety of products, higher quality standards, barriers to cross) challenges.

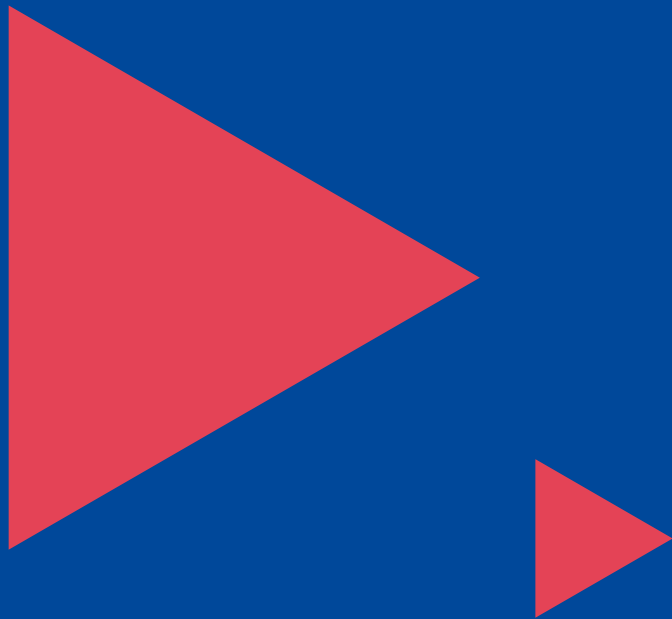
One of the most significant challenges to IT-BPM home-based work in Sri Lanka was the inability of HBWs to prove their income when attempting to access formal financial services (Galpaya et al. 2018). Another challenge faced by IT-BPM HBWs is the inability to access PayPal as Sri Lanka does not allow PayPal payments. Consequently, Sri Lankans use other methods, such as creating “Malaysian” or “Singaporean” PayPal accounts and debit cards, but these are also illegal. The study highlighted that it would be more impactful for the banking sector as well if the Central Bank of Sri Lanka created account

types or credit scoring systems that enabled irregular income earners, self-employed workers or informal sector workers to have access to formal financial services. The study concluded that online freelancing and micro-work showed a growth opportunity for Sri Lanka.

Home-based work provides good opportunities for women who have to look after children and stay at home. “Many rural women in Sri Lanka tend to go abroad as domestic workers to raise their living standard, which leads to several social issues including the safety and protection of the children and ... unrest among family members. A home-based or a village-based employment opportunity could resolve many of those issues and would provide a flexible working environment for women to balance their work life and family life (Dissanayake et al. 2017, 7). Therefore, home-based work may be a good solution to various issues such as poverty, children’s welfare, women’s empowerment and work–family-life balance if HBWs receive decent wages, recognition of rights as workers and social protection.

5

Conclusion and recommendations



5.1 Conclusion

HBWs are mainly informal workers. They do not have any social protection support and social security benefits such as old-age retirement, paid leave and medical insurance. All the previous studies on home-based work in Sri Lanka highlighted the importance of social protection of HBWs. The current desk review of the existing literature identifies that the disabled, the elderly, mothers of young children and rural residents are more likely to choose home-based work.

Women living in urban poor settlements in Sri Lanka also engage in home-based work. They are characterized by the micro-scale of their operation and the unorganized nature of their work. They also engage in a primitive stage of entrepreneurial activities. They are neglected and marginalized in service delivery, particularly of government institutions, and are not included in social protection mechanisms. There is also no enforcement of legislation to protect HBWs in Sri Lanka. Though existing labour laws, social security programmes, microfinance, pensions, employment guarantee schemes and welfare funds have some limited application to HBWs, they are not designed specifically for HBWs. The literature highlights that HBWs need to be fully recognized as “workers”.

The major advantages of home-based work are flexible working hours, no business premises costs (except paying for electricity and other utilities), no transport or travelling costs, low maintenance costs and suitability of workspace. The most significant disadvantage of home-based work is the lack of boundaries between work and family. The other major disadvantages are long working hours and isolation.

Some HBWs, particularly own-account workers, are not linked to domestic and global supply chains. One practical model to look at for greater involvement in global supply chains is the VCA.²⁶ Producers in developing countries do not automatically gain access to markets in developed countries even when trade is liberalized.

This review clearly demonstrates the importance of a comprehensive study on home-based work

in Sri Lanka. Such a study is very important to develop the sector as home-based work is especially important for both rural and urban areas and for women. It is also important to the Sri Lankan economy since many successful businesses have begun from home-based work. However, home-based work seems to be largely ignored by the government.

In summary, the following common points have been highlighted in the previous studies:

- ▶ Home-based work belongs to the informal sector.
- ▶ There is no legal and social recognition for HBWs.
- ▶ There is no social protection coverage for HBWs.
- ▶ HBWs often use traditional and outdated technologies.
- ▶ The activities of HBWs are mainly traditional and limited to the local market except for the garment and IT-BPM sectors.
- ▶ Low-income women largely engage in home-based work.
- ▶ The earnings of HBWs are very low and irregular.
- ▶ Home-based work provides a good opportunity for women with young children as well as for the elderly.

The limitations of this study are twofold: first, the analysis is based on the desk review. Some of the literature has not used proper representative samples, and no studies were found to cover all the sectors and the entire country. Second, the DCS does not gather information on HBWs, and the HIES and the LFS gather information on self-employed, own-account workers and unpaid workers. Though by definition HBWs are own-account workers and unpaid workers, some own-account workers and unpaid workers are practically not HBWs.

²⁶ A VCA deals with the dynamic linkages between productive activities. It goes across economic sectors and national boundaries, whereas traditional economic models focus on a single economic sector. A VCA gives attention to linkages between firms.

5.2 Recommendations

- ▶ A significant proportion of micro and small businesses may connect to domestic and global supply chains. Many of them also give work to HBWs. They sell their products locally as well as internationally through subcontractors and in collaboration with large-scale firms. The importance of such micro- and home-based enterprises requires policymakers to provide proper and adequate incentives to make such business sustainable and competitive and help their transition towards formality. This can enable workers in such enterprises to have decent work for decent wages and working conditions.
- ▶ The government should recognize HBWs as “workers”, and their contribution to the national economy needs to be captured in statistics. For this, specific questions related to the “usual place of work” and how such workers receive work (to establish the dependency of the workers on one or more employers) need to be asked. The government must support HBWs, ensuring their rights and dignity, providing financial support, infrastructure, social security, training and education. The government also needs to increase labour law coverage for homeworkers and possibly look at policy action to enable decent work for HBWs.
- ▶ The ILO (2020) pointed out that governments must ensure that HBWs – whether traditional, industrial or IT-enabled HBWs – are provided with the same rights and benefits as if they were working at their employers’ site. There is a variety of attractive modern-day home-based work in the IT-BPM sector, and policies that ensure smooth online work need to be implemented and necessary infrastructure must be developed.
- ▶ Quality standards are a serious issue in home-based work production. Quality standards are very vital when entering the supply chain, particularly global ones. Raising awareness among HBWs about the importance of quality standards and certification are a few key areas for intervention. Such quality standard certificates will also decrease transaction costs with regard to linking with the global supply chains.
- ▶ No study was able to find linkages or the engagement of HBWs with the supply chain, although there are many supply chain studies focusing on different agricultural and non-agricultural economic activities. One of the best ways to study supply chains (global and domestic) focusing on lower-tier HBWs may be to conduct supply chain analyses focusing on lower-tier producers in selected industries, such as cinnamon and other spices, rice, food processing, garments and textile, tobacco, coir, jewellery, handloom and other ornamental products, and other modern industries.
- ▶ Most home-based work is carried out in isolation. If HBWs are organized as producer groups or in any other way, many issues can be addressed collectively.
- ▶ Though there are many home-based economic activities, both formal and informal, the government, or any other institution, does not have a database to help them understand the nature and behaviour of HBWs. The DCS conducts the LFS, the Time Use surveys, the HIES, the economic censuses and so on, but no information is available in any of these reports about home-based work. HBWs are not represented in national statistics, labour surveys, documents, research, and policies. HBWs must be included in at least one national survey. For example, India, since 2009, has included HBWs in the National Sample Survey: Employment-Unemployment. This helps invisible home-based work become visible (“invisibility to visibility”). Valuable data can be derived from the LFS, the HIES and the Time Use surveys, although these surveys do not currently directly gather information about HBWs. With certain modifications, these surveys could be revised to enable the collection of information related to HBWs, which can be used to analyse these workers. This would help generate useful insights about them and their socio-economic status which have become critically significant for the development of policies and economic planning.

- ▶ Comprehensive and systematic research is required to investigate the nature of their work, economic contribution and the challenges they face to take necessary policy decisions related to home-based work in Sri Lanka. Information about HBWs' perceptions about home-based work, barriers and livelihood status are needed to design policies and strategies. No such a comprehensive study is available for Sri Lanka at the moment.
- ▶ At the macro level, the government should raise awareness and improve knowledge about the advantages of participating in the supply chain.
- ▶ A universal social protection is recommended for all workers. It will provide security to informal sector workers, self-employed people and unpaid family workers, which includes HBWs. Social protection systems and labour legislation must be revised to cover all types of employment. Value chain analyses may provide a strong justification for developing a comprehensive social protection system for HBWs since value chain analyses give a clear picture on how lower-tier workers are exploited by players (their "hidden-surplus" at higher tiers of the value chain [Sudarshan and Sinha, 2011]).
- ▶ Finally, from the perspective of Sri Lanka's HBWs, creating an enabling business environment is a critical factor. Therefore, a systematic and proper study on home-based work is recommended.

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► Appendix I: Summary of the empirical literature (directly related home-based work in Sri Lanka)

Study	Area	Key findings related to home-based work and supply chains	Remarks
Galpaya et al (2018)	Potential for micro-work and online freelancing in Sri Lanka Sample 5,500 persons	- IT-based home-based work is attractive to young people - Lack of awareness of such job opportunities - Women are willing to engage in work - Work is expanded through personal networks - Payment method is the main issue	Focussed on modern-day HBWs Sample covered only youth Need a study with a good representative sample
Homenet South Asia, (2013a, 2013b, 2013c).	Strengthening the urban poor home-based workers (city projects)	Objectives - Strengthening HBWs organizations and networks in South Asia; - Support for development of policy framework; - Support for pilot approaches for the provision of social protection for HBWs; and - Ensuring more favourable working conditions for women HBWs - Sri Lankan partner organization is Janathakshan	Much work has been done for urban HBWs
HNSA and ISST (HomeNet South Asia and Institute of Social Studies Trust), (2006)	Social protection for home-based women workers in South Asia	- Included Sri Lanka - Sectors covered: mat making, coir, reed and cane, jewellery, and batik - No social protection coverage	Focused on only social protection for HBWs
Jayaweera et al. (2000)	Experiences of women in five subcontracting ventures: electronics, embroidery, coir, tobacco and construction	- Women were lower-tier workers - Lack of decent work, social benefits, safety conditions - Emphasized the importance of policy changes	Done 20 years ago Focuses on only selected sectors
Nandi et al. (2015)	Risks and vulnerabilities of HBWs in South Asia Sri Lanka were part of the study	Studied two groups of HBWs: (1) piece-rate-workers, and (2) own-account workers - A very low-income occupation - Informal source of finance mainly - Issues included storage of raw materials and finished goods, getting quality raw materials, getting instant payment and regular payment, exploitation by the middlemen, poor housing and infrastructure	Supply chain aspects were not studied
Premaratna, et al. (2013)	Subcontracting linkages in the Sri Lankan garment industry	Studied the nature of subcontracting work	Main focus was on SMEs, not home-based work
Premaratna (2002)	Entrepreneurial networks and SME development	Subcontracting linkages were studied	Did not focus on HBWs, though some subcontracting SMEs are HBWs
Siyath Foundation. (n.d.)	Women HBWs of South (Hambantota, Matara, Galle)	- Foreign companies preferred to give subcontracts to HBWs - Women dominated home-based work - Not registered, so informal sector	

Study	Area	Key findings related to home-based work and supply chains	Remarks
Stamm et al (2006)	The role agribusiness plays in the context of Sri Lanka and the links it has to global markets	• Lower layer of the agribusiness sector was home-based work	Did not deal with traditional home-based work
WWW (2004)	Garment workers and subcontracting chain	• Garment workers in the informal sector were invisible • Reasons for engaging in home-based work identified • Issues identified included that HBWs had the least power in the supply chain (subcontracting chain) and received the lowest wages	Emphasized only women

► Appendix II: Key informant interviews

Name	Organization	Key points discussed
Mr Monty Ranatunga	Secretary, Ministry of Small Enterprises	Data and information about home-based work and its legal aspects.
Mr R. P. A. Wimalaweera	Commissioner-General of Labour, Department of Labour	Labour Commissioner
Mr I. L. Sugathadasa	Assistant Director, Export Development Board	Previous studies and nature of export links by home-based work
Ms Shalika Kaluarachige	Manager, Micro-Finance and Agri-Finance, Cargills Bank Ltd.	Supply chain engagement by HBWs through private companies and microfinance support
Mr Dave Maurice	Director, Nucleus Foundation	Value chain studies and HBWs' engagement in value chains particularly in the North and East Provinces
Mr N Wanninayake	Managing Director, Industrial Service Bureau, Kurunegala	Value chain studies related to HBWs
Mr Bisowela S. Gunsekara	Director, Arthacharya Foundation	HBWs and their issues
Ms R. M. Hewaliyanage	Director, Export Development Board	Subcontracting, home-based work and export links
Ms P Koddipiliarachchi	Former credit officer with a private bank	Bank links with home-based work and bank regulation issues

Towards fair and sustainable global supply chains: Promoting decent work for invisible workers in South Asia

This is an ILO/Japan project that aims to contribute to the development of ethical and sustainable global supply chains. It is geared towards promoting decent work in global (and domestic) supply chains – specifically for workers’ who are engaged at the lower tiers. They are typically home-based workers, subcontractors, and workers in medium and small enterprises in the informal economy in South Asia. The project addresses the decent work deficits and negative aspects associated with informality, visiblizing the hidden and invisible workers, and enabling better outcomes for workers and suitability of supply chains.

For more information, please contact:

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