



The State of the Handworker Economy 2018



building a new handworker economy
www.buildanest.org



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01 Foreword



**BY VERNA EGGLESTON
BLOOMBERG PHILANTHROPIES, WOMEN'S ECONOMIC
DEVELOPMENT PROGRAM LEAD**

“If you can’t measure it, you can’t manage it.” That is our founder Michael R. Bloomberg’s mantra and one of the principles that guides everything we do at Bloomberg Philanthropies. We have found over the years that setting specific goals and evaluating success with actionable data has led to sustainable solutions, policy changes and learnings on how to “think differently about what we know”.

Often times there is little reliable information on behalf of groups that have been marginalized and placed at a disadvantage. It is critical for these populations to have a role in voicing their own narratives. In the absence of data and narrative, these groups become invisible. Despite fully participating in “work” and creating products that the world benefits from, these people have benefited the least. They have worked without the protections of fair market trade, inadequate safety conditions, or benefits that would support a secondary impact on their children and their families. There is a lack of information about this underground economy, which continues to grow while remaining heard the least. Over the twelve years of Bloomberg Philanthropies’ investments in women’s economic development programs, we have been committed to providing measurable data about the progress of the organizations we work with. Dependable data allows us to help these communities tell their story of success. We know that our participants have become strong players in the market place, invested in their children’s education and the health of their families, and secured meaningful power in the global and local market communities.

As long as data on the informal economy remains scant and unreliable, women and their families around the world will be misrepresented and underutilized in the global

economy. That is why the data collected in this report is critical and the work that Nest does is vital.

Bloomberg Philanthropies has invested in Nest’s efforts to build a new handworker economy that connects craftspeople, brands, and consumers in a circular value chain improved by data. The organization’s Nest Guild network of artisan businesses is generating never-before-seen baseline data on the state of these businesses’ current practices and needs.

This is combined with the newly launched Nest Standards and Seal, which are establishing an unprecedented means for brands to step into their own accountability and ability to drive change, by granting them visibility to their supply chains beyond the four-walled factory. Together, these bodies of data are giving shape and color to the handworker economy. This report is the first of what I hope will be many, lifting the veil on the world outside factories where hundreds of millions of people, mostly women, work and live.

I guarantee you that you will find the information here eye-opening and valuable to any and all efforts to improve and understand the “world of work”.

02 Introduction



**BY REBECCA VAN BERGEN
NEST FOUNDER AND EXECUTIVE DIRECTOR**

Throughout the course of our thirteen years as a nonprofit organization working to drive economic development for artisans, Nest has consistently encountered challenges posed by the gaping lack of data on the informal economy—and more specifically, on the handworker economy, which accounts for a significant portion of informal work.

While data collected in 2001 estimates 300 million homeworkers globally, the number does not include a breakdown of how this work is divided geographically and by production type. More recent numbers on the global homeworker population are difficult to find and are likely to have grown.¹ Wildly variable statistics like those citing that 20-60% of garment production leaves the factory to be done in homes² add little clarity to this population, painting a picture of a handworker economy that while difficult to pin down, is universally agreed upon to be much larger than estimates are telling us. This fuzziness presents challenges to brands who are increasingly working to build responsible and transparent supply chains, but grapple with the challenges to mapping a decentralized workforce; it poses roadblocks for philanthropists seeking opportunities to fund women's development initiatives, because they are limited in their means to quantify potential impact; and most of all, it creates major problems for artisans and handworkers themselves who are seeking fair wages, appropriate working conditions, and the validation they deserve as critical contributors to the global economy.

At Nest, we see both a unique opportunity and also a responsibility to begin filling this data hole. Through our

Artisan Guild network, we are now reaching close to 500 businesses across more than 90 countries. Our engagement with this community of businesses is allowing us to gather a robust set of baseline data on the state of the global handwork sector, and providing us with insights into current practices, needs, and trends across diverse geographic locations and a wide range of hand production models. These insights, combined with a new body of compliance data collected during over 50 assessments conducted as part of Nest's newly launched compliance program for homes and small workshops, is facilitating our ability to gain unprecedented visibility into previously hidden supply chains. Our findings, summarized in the following report, are significant not only to Nest as a means to inform our programs, but also to brands seeking opportunities to responsibly source handcrafted products and materials; artisan businesses working to ensure improved rights and wellbeing for home-based workers; philanthropists keen to drive economic development for women; and to a wide host of multi-stakeholder partners. This report is the first of what Nest hopes will be many, lifting the veil on the world outside factories where hundreds of millions of people work and live.

¹ Gupta, Neelam (2001) Invisible labor: social security for home-based workers of the garment, agarbatti and papad industries, Delhi, SEWA Bharat, p v and vi
² Siegle, Lucy. *To Die for: Is Fashion Wearing out the World?* Fourth Estate, 2011.



The global handicrafts market reached **\$526.5 billion** in 2017, and is expected to reach **\$984.8 billion** by 2023¹

¹ Research and Markets, Ltd. "Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023." *Research and Markets—Market Research Reports—Welcome*, June 2018, www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends.

03 The Handworker Economy



**FOREWORD BY LIVIA FIRTH
ECO-AGE CO-FOUNDER**

As contemporary production timelines speed up with collections being turned out at an ever-increasing clip, we risk compromising care for both the natural environment and the people whose hard work goes into making the clothing and accessories we wear and love. It follows that I have been passionate about exploring opportunities for the industry to slow down and reconnect with its origins, keeping the world's homegrown fashion cultures alive.

I can think of no form of production that better exemplifies these principles of consciousness, intention, and cultural preservation than that of hand craftsmanship—after all, this is where fashion's roots began back in the days when everything we wore was couture. But we cannot connect the dots between craft, culture, and fashion without data. Data helps us measure not only what has been lost and will be lost, but also what is taking place right now. With this report, we can begin quantifying all aspects of the artisanal economy, including that of home-based work.

While craft production has been estimated to account for \$34B in global exports,¹ Research and Markets more recently released a report indicating that the global handicrafts market reached US \$526.5 billion in 2017 and is expected to reach \$984.8 Billion by 2023, expanding at a CAGR of more than 11% during 2018-2023.² The tremendous variance not only points to the lack of consensus surrounding data on the handworker economy, but also underscores the common trend that the economy is likely to be significantly bigger than current data accounts for.

¹ The Aspen Institute, *The Alliance for Artisan Enterprise: Bringing Artisan Enterprise to Scale*, www.artisanalliance.org.

² Research and Markets, Ltd. "Handicrafts Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023." *Research and Markets—Market Research Reports—Welcome*, June 2018, www.researchandmarkets.com/reports/4592343/handicrafts-market-global-industry-trends.

Nest cites scattered country-by-country economic indicators signaling a growth in handicraft production and a market appetite for handmade products. According to the Economic Times India, India, known to be home to a range of centuries-old craft techniques from block printing to handloom weaving, has a handicraft sector that is growing at a rate of about 10-15% every year.³ Morocco, another mecca of craft production, saw a 32.5% rise in handicraft exports in 2017, according to Morocco World News.⁴ In Indonesia, the creative industry provided jobs to 16.4M people in 2017 accounting for an export value of \$19.4B. Despite these significant numbers, unfortunately more than 90% of creative industry players in the country are self-financed. Nepal reports having exported \$47.5M worth of handicraft in the 2017 fiscal year.⁵ In the United States, The Amtel Corporation estimates 135 million adult makers in the world,⁶ though it's not clear what percentage of these makers are craftspeople.

We also know that craft-based work is an enormous driver of women's employment, serving as the second largest employer of women in developing economies after only agriculture. Its unique characteristic of being carried out from home means that craft can be an income generating activity for women who are otherwise limited in their ability to work outside the home due to safety concerns, patriarchal systems, and demands of family care. When women work, they invest 90% of their income back into their families, compared with 35% for men,⁷ and McKinsey Global Institute estimates that if as many women as men took part in the formal economy, \$28T would be added to the global GDP.⁸

The good news is that today, consumer demand for authenticity, personalization, and handmade items is growing. But we need to answer some difficult questions. For example: how are artisan businesses set up to operate today? What are the primary barriers that they face to entering and succeeding in the global marketplace and what opportunities exist for these businesses to grow and thrive sustainably? To begin answering these questions, Nest examined data culled directly from the Nest Artisan Guild, established by Nest in 2015 as a means to unite a fragmented global workforce and to service artisan enterprises with pro bono capacity development and business guidance services. In 2018, the Commonwealth Fashion Exchange initiative begun by my sustainability consultancy, Eco-Age helped pair designers from 53 Commonwealth nations with artisans in other Commonwealth countries to create beautiful fashion design collaborations. I am proud to say that each artisan who participated in the program enrolled in Nest's Guild, giving access to continued business development support.

I am delighted to help Nest present the findings of the Guild for the first time in this report. And I hope that it will provide an important guide to an industry we all love so deeply. My overarching hope is that it will help us nurture a new generation of artisans worldwide whose work is so compelling and reach so complete that fashion lovers will willingly abandon systems predicated on exploitation and disposability. They will instead embrace craftsmanship and social empowerment.

3 Shekhar, Divya, and et bureau. "This Business Analyst Also Runs a Micro-Enterprise Supporting Indian Handicrafts—ET Retail." *ETRetail.com*, 13 June 2018, retail.economicstimes.indiatimes.com/news/e-tailing/this-business-analyst-also-runs-a-micro-enterprise-supporting-indian-handicrafts/64570286.

4 Morocco World News. "Exports of Moroccan Handicrafts Record 32 Percent Increase in 2017." *Morocco World News*, 25 Jan. 2018, www.moroccoworldnews.com/2018/01/239232/exports-moroccan-handicrafts-percent-textiles/.

5 New Business Age. "Export of Handicraft Increases by 13 Percent." *New Business Age*, 8 Oct. 2017, www.newbusinessage.com/Articles/view/6661.

6 The Amtel Team. "DIY by the Numbers: Why the Maker Movement Is Here to Stay." *Amtel | Bits & Pieces*, atmelcorporation.wordpress.com/

7 "Clinton Global Initiative: Empowering Girls and Women." *www.UN.org*, Clinton Global Initiative, 2010, www.un.org/en/ecosoc/phlntrpy/notes/clinton.pdf.

8 Woetzel, Jonathan, et al. *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth*. McKinsey Global Institute, 2015, pp. 8–13, *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth*.



METHODOLOGY

The Nest Artisan Guild includes small or medium enterprises (SMEs) who directly engage with a network of artisans and utilize handwork in more than 60% of their production activities. At the point of entry into the Guild, artisan business leaders participate in a digital intake survey that collects self-reported baseline data on business structure, employee demographics, business performance, and barriers to growth. Data collection is repeated on an annual basis in order to maintain up-to-date and accurate information about each business, and to facilitate time-bound comparisons of demographic data and business performance. Individual business data is then aggregated and analyzed to determine sector-level metrics representative of the wider sector. Data is also analyzed by subgroups to understand the key drivers of variation across the dataset. The following data presents a descriptive analysis representative of the total sample of 496 organizations in the Guild, each employing an average of 320 artisans, at the date of the report as of December 2018. Representing more than 158,000 handworkers, the Guild network provides the largest global dataset on artisan businesses that Nest has been able to find through its research, opening up new visibility to artisan SMEs.

KEY FINDINGS

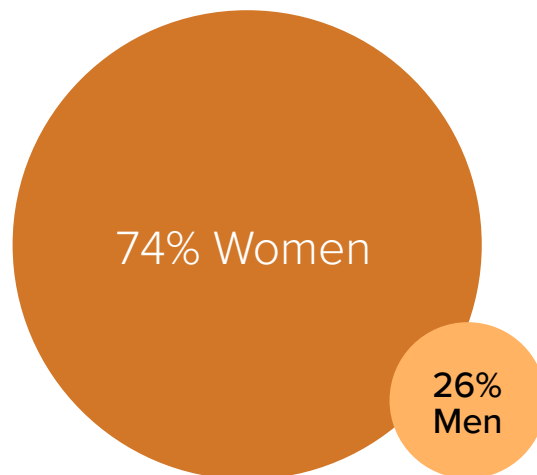


THE COUNTRIES OF NEST'S GUILD

Afghanistan	Botswana	Côte d'Ivoire	France	India	Laos	Mongolia	Pakistan	Russia	Sri Lanka	Turkey
Argentina	Brazil	Cuba	Germany	Indonesia	Lebanon	Morocco	Palestine	Rwanda	Sudan	Tuvalu
Armenia	Burkina Faso	Dominica	Ghana	Israel	Lesotho	Myanmar	Papua New Guinea	Saint Lucia	Swaziland	Uganda
Australia	Burundi	Dominican Republic	Greece	Italy	Malawi	Namibia	Paraguay	Samoa	Syria	United Kingdom
Bahamas	Cambodia	DRC	Grenada	Jamaica	Malaysia	Nepal	Peru	Senegal	Tanzania	United States
Bangladesh	Cameroon	Ecuador	Guatemala	Japan	Mali	New Zealand	Philippines	Seychelles	Thailand	Uzbekistan
Barbados	Chile	Egypt	Guyana	Kenya	Mauritania	Nicaragua	Poland	Solomon Islands	Tibet	Vietnam
Belize	China	El Salvador	Haiti	Kiribati	Mauritius	Niger	Portugal	South Africa	Trinidad	Zambia
Bolivia	Colombia	Ethiopia	Honduras	Kyrgyzstan	Mexico	Nigeria	Romania	Spain	Tunisia	Zimbabwe

The handworker population is geographically dispersed, with craft representing a source of income in virtually every corner of the world. The Nest Guild is currently spread out across 99 countries. Analyses of the Artisan Guild performed in 2016 indicated that artisan business needs are correlated not to geography or craft type, but to stage of business growth, suggesting that global programming catering to staged levels of business sophistication may be a stronger approach to artisan business development than those targeted to a specific geography or craft type.

On average, artisan businesses in the Guild employ 320 artisans and 24 staff members. Artisan businesses in the Guild range in years of operation from 1 to 119 years and the average artisan business in the Guild has been in operation for 19 years. The handworker labor force is significantly dominated by women who account for 74% of all artisans represented in the Nest Guild.

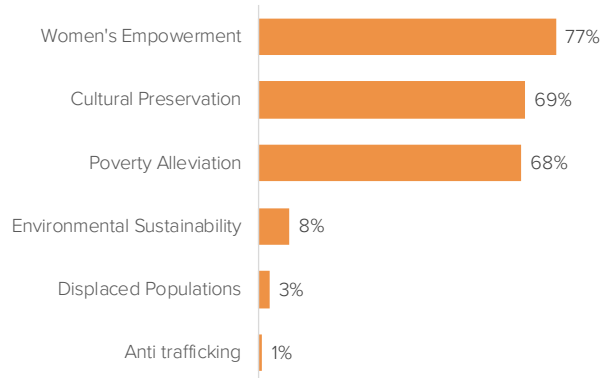




UBUNTU AT WORK is a social enterprise that partners with networks of female artisan collectives across Namibia, South Africa, Uganda, Indonesia and India. The organization is structured as a nonprofit whose revenue is generated predominantly through individual giving, yet the enterprise is interested in expanding its sales strategy to increase its percentage of earned revenue through sales of handcrafted products. 100% of the artisans employed by Ubuntu are women practicing a range of craft skills including basket weaving, embroidery, and jewelry. Ubuntu also recently expanded its basket collection to include items made by the Kavango women basket weavers in Namibia. These handwoven baskets incorporate unique color palettes rendered through nuanced variations in the natural dying process accomplished by making subtle changes to temperature and types of local flora. While the business currently sells predominantly to wholesale and private label customers, it recognizes potential to expand its model to include direct-to-consumer scales. As Ubuntu seeks to grow its business, key challenges include implementing a unified design vision across its product lines, building out a concerted selling strategy for increasing wholesale accounts, and supporting this work with branding and marketing.

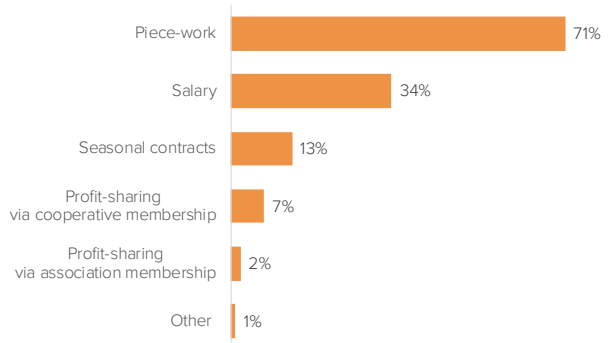
COMMUNITY IMPACT GOALS

Artisan leaders often view themselves as social leaders committed to using their businesses as a means to empower women, alleviate poverty, and preserve cultural traditions in their communities. 13.5% of Guild members are structured as NGOs and 100% of Guild members cite at least one social mission that their businesses are working towards. Women's empowerment is the most frequently reported social goal, with 77% of all Guild members reporting this as integral to their social missions.



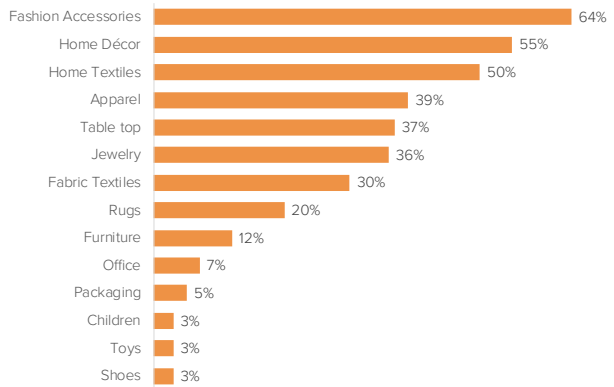
COMPENSATION MODELS

The most common form of payment to artisans in the Nest Guild is piece-rate, by which artisans are paid for each product they produce. It is far less likely that an artisan will be paid a regular salary and rare that the worker will be employed on a contractual basis. Despite rising buzz around profit-sharing cooperatives, the cooperative model is not one that is heavily utilized in the Nest Guild network.



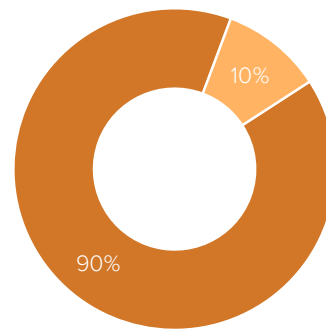
PRODUCT CATEGORY

By and large, artisan businesses are producing for the fashion (inclusive of both apparel and accessories) and home design industries with most artisan businesses producing for more than one category. 64% of Nest Guild members report producing producing fashion accessories, and home decor (55%) and home textiles (50%) closely follow as popular production categories.



SELLING AND EXPORTING

Most handwork businesses are branching beyond their local markets to export into different countries and continents with 90% of Nest Guild members reporting that they are selling at least some amount of their product as exports beyond the local market.



■ Total Artisans Exporting

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Because the production process of ikat is labor intensive and requires lots of natural silk, the cost of ikat becomes high and makes it hard for people with lower income to buy it. Locally, it is quite hard to sell it due to economic conditions of the people. The influx of cheap factory textiles have also made it hard to sell the authentic, natural textiles. When there is little demand, the artisans don't want to continue the craft which results in the decline of the ikat production. Only through high-end fashion and marketing at a much higher level can we stimulate the growth of the market. The success of these brands who promote handmade artisanal products becomes major force in the economic empowerment of the artisans.

—Muhayo Aliyeva, Founder of Bibi Hanum, a business employing women in traditional handloom textile production in Uzbekistan

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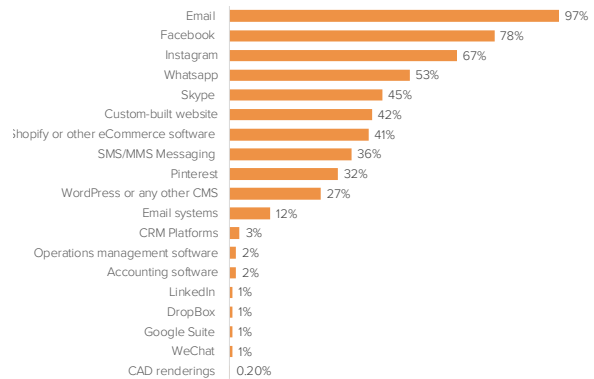
SELLING CHANNELS

International wholesalers account for the most common sales channel utilized by businesses in the Nest Guild. This is followed by online shop, pointing to e-commerce direct to consumer as an important selling channel for artisans. Despite this technological innovation and prevalence of exporting, local brick and mortar marketplaces also remain an important sales outlet for artisan businesses in the Guild.



TECHNOLOGY USE

Email, Facebook and Instagram are the primary technological platforms that artisan businesses are utilizing, with roughly 50% of Nest Guild members confining their use of technology to engagement across these platforms. Tools like Google, SMS messaging, and CRM software for example, are largely underutilized.



WAKAMI is a Guatemalan fashion accessories brand employing a network of 530 artisans from rural communities across Guatemala. Wakami trains groups of women as entrepreneurs and helps them to establish their own cooperatives focused on exporting hand-crocheted jewelry made with waxed thread and beads. During training, Wakami provides artisans with a blueprint for setting up a cooperative; shares operational and inventory management templates; and conducts skills trainings in ten crochet stitches used across all Wakami jewelry styles. Through a cooperative cluster model, Wakami is able to scale production with minimal quality issues, because each artisan group operates with the same baseline of production skill and management proficiency. Since the business was launched in 2007, Wakami has built a presence in more than 20 countries around the globe, holds B Corp and WFTO certification, and currently employs 96% women. With highly sophisticated operations, Wakami is ready to increase its sales and expand its product range to include apparel and other fashion accessories. Key challenges to achieving this include creating a business deck that can be shared with prospective funders and retailers, and taking greater control of the business' pricing and margin structure.

ETKIE is a social enterprise based in Albuquerque, New Mexico, USA, committed to the financial and social empowerment of Native American beaders from the Navajo nation. Etkie is an LLC structured as a brand, and provides artisan contractors working from their homes with market opportunity and infrastructure for their hand-beaded accessories. Etkie employs twelve artisan staff, of which 94% are women. Etkie's current selling channels include a mix of direct-to-customer selling via e-commerce on its website and in-person market shows, as well as wholesale sales to boutiques. Etkie generates the majority (80%) of its sales via wholesale client brick-and-mortar and online retailers. Online retailers, pop-ups and trunk shows, and flagship stores comprise the remaining 20% of total annual sales. Etkie's first and best-selling products are the brand's signature hand-beaded cuffs, which retail from \$215 to \$575. The sophisticated bracelets are bound with leather, delivering a modern aesthetic while also embracing the traditions and cultural heritage of the Navajo designs and craft techniques. During its four years of operation, the business has experienced steady growth, building a loyal following in Santa Fe, Texas and California, to the extent that it is operating at a profit. While there is opportunity for continued business growth and social impact, key challenges for the company include identifying an ownership, leadership and business model that will support long term growth and sustainability; identifying new products that feel as elevated as the cuffs and fall within the artisans' existing skillset; and identifying viable new direct-to-consumer markets.



photo credit: Etkie

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Instagram has provided a great platform for Starfish Project to form direct connections with customers. Because of Instastories in particular, Starfish Project's "Instafamily" offers input on everything from jewelry design to packaging to website design. Starfish Project's Instagram followers have even purchased Starfish Project jewelry for other followers as random acts of kindness between Instafamily members! Instastories provides a platform for us to connect personally with our followers so that we retain those customers over the long term. It has helped our online sales significantly!

—Virginia Hawkins, Chief Strategy Officer, Starfish Project (China)

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03 The Maker Movement



**FOREWORD BY ALTHEA ERICKSON
ETSY GLOBAL HEAD OF ADVOCACY AND IMPACT**

A snapshot of the global handworker economy is incomplete without an acknowledgment of the maker movement. While the broad “maker movement” terminology includes a new wave of tinkerers inventing through burgeoning mediums like 3D printers and AI technologies, there has simultaneously been a broad resurgence of the age-old craft of making with one’s hands. Similarly, maker microbusinesses are incorporating new tools to modernize older art forms. Take for example, an Etsy seller that utilizes a laser cutter to bring a rich Moroccan textile to life in a new medium.

Etsy is the global marketplace for unique and creative goods. It’s home to a universe of special, extraordinary items, from unique handcrafted pieces to vintage treasures. In a time of increasing automation, it’s our mission to keep human connection at the heart of commerce. That’s why we built a place where creativity lives and thrives because it’s powered by people. Our community of 2.1 million sellers¹—87% of whom are women²—are able to pursue their passions and run creative microbusinesses on their own terms. Through our research into our community of microbusinesses we are able to provide greater clarity into our slice of the creative economy, painting an increasingly detailed portrait of the maker landscape.

We are thrilled to have the opportunity to include our insights from our recent studies in the Nest State of the Handworker Economy Report to give the public a more complete view of the handworker economy today. We hope that our contributions will not only help you get to know the profiles and motivations of makers, but will also serve to illuminate some of the universal trends that span the handworker economy both in the US and abroad.

It is an exciting time for makers of all kinds to translate endless creativity into economic potential. While we are proud of our role in building an ecosystem that allows for this, our work would not be possible without makers who are the heart, talent, and hard work behind this movement.

¹ As of December 31, 2018.

² Etsy, *Celebrating Creative Entrepreneurship Around the Globe*. 2019.

SPOTLIGHT

For Baton Rouge-based ceramicist Osa Atoe, who took her first pottery class in a community studio in 2013, craft's less glamorous qualities drew her to ceramics and confirmed her passion for working with clay. "I got really obsessed with everything about it, even the more mundane aspects," recalls the Pottery By Osa owner. "I would go home and watch YouTube videos of people centering clay on the wheel for hours—I was totally absorbed." For the lifelong musician, who'd spent much of the prior decade on the road touring with various punk bands, the timing was right. "It was a fade-in, fade-out kind of situation where I started taking pottery classes right when one of my last bands was breaking up," explains Osa. "It gave me a new form of expression, and when that band ended, I went full-force into pottery—I instantly fell in love with it. Not that I was good at it right away, but that's how you know you love something: when you don't care and you just want to keep going." Over the last five years Osa has done exactly that, continuing to hone her skills and develop her line of handmade, functional terra-cotta pottery. Her distinct point of view shines through in her geometric-patterned homewares, all finished in an understated palette of handmade black, white, and turquoise glazes—but she's the first to tell you her artistic journey is far from over. "In pottery terms, five years is nothing. I'm still a beginner," says Osa. "I'm looking at all the stuff I'm making as a great start, and people have been really receptive to it, but I'd like my work to continue to evolve."

Osa Atoe is an Etsy seller. This story comes as an excerpt from the Etsy Seller Handbook



photo credit: Etsy

SECTION SOURCES

Etsy sellers from the company's six core markets (US, UK, Canada, Australia, Germany, and France) participated in an online survey whose results can be found in Etsy's 2019 Global Seller Census Report, *Celebrating Creative Entrepreneurship Around the Globe*, posted online at etsy.me/globalcensus2019. Etsy further partnered with ECONorthwest to conduct an Economic Impact Analysis whose results can be found online at etsy.me/impactdashboard.



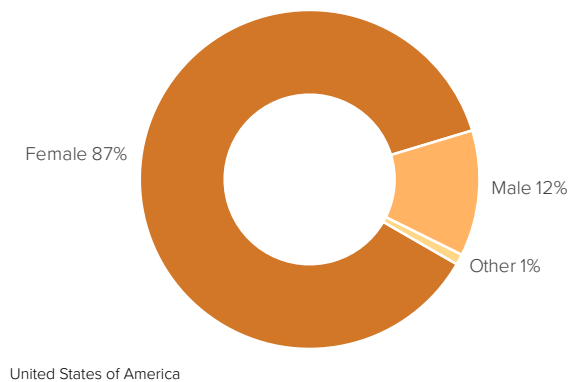
ETSY SELLERS AT A GLANCE ¹

- ▶ 2.1M active Etsy sellers (*as of December 31, 2018*)
- ▶ 87% of Etsy sellers are women. By comparison, 35% of firms globally have women in ownership positions (*according to The World Bank Enterprise Survey on Gender, 2018*)
- ▶ 97% run their shops from their homes
- ▶ 80% are a business of one
- ▶ 28% of sellers live in rural areas

KEY FINDINGS ²

SELLERS BY GENDER

While people of all ages are drawn to Etsy, the median age of a seller is 39—much younger than the typical business owner in the US, which is just over 50 years old. Sellers can be found in all types of places throughout the country, from urban metropolises to rural communities, though more than half are located in suburban areas.

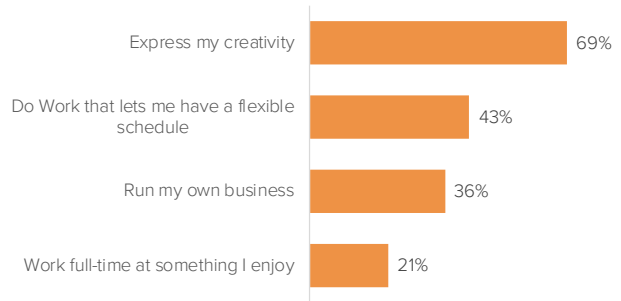


¹ Etsy 2019 Global Seller Census Report

² These key insights are extracted from Etsy's Economic Impact Dashboard

MOTIVATIONS FOR STARTING A CREATIVE BUSINESS

Etsy sellers are motivated to start their business for both financial and non-financial reasons. For half of Etsy sellers, a financial challenge contributed to their decision to start a business. Owning a creative microbusiness gives Etsy sellers the opportunity to pursue meaningful work that integrates with their lifestyle, assume greater autonomy, express their interests, and grow their creative skills—all hallmarks of the personal benefits of entrepreneurship.

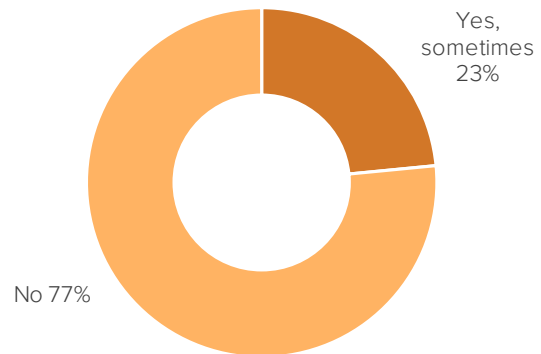


United States of America

OUTSIDE PRODUCTION ASSISTANCE

The activity of Etsy sellers contributes over \$5.37 billion in economic output in the U.S. economy.

Nearly one-quarter of Etsy sellers that sell handmade goods work with outside production assistance in the form of printers, manufacturers, and other help to bring their wares to life. While helping to support local entrepreneurial ecosystems, this assistance contributes to total economic output as well.

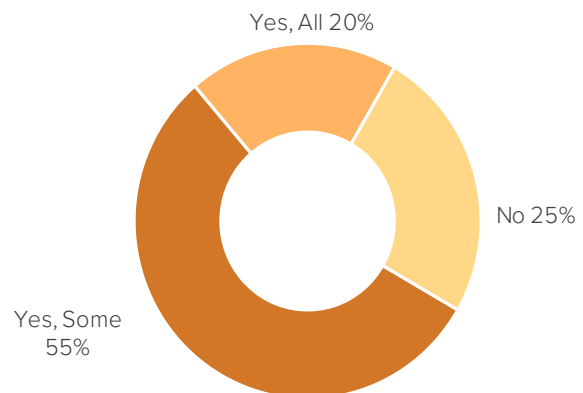


United States of America

PERSONALIZATION

Most U.S. Etsy sellers run their creative business in addition to other work, and the majority (51%) are part of the independent workforce. The average Etsy seller works part-time on her creative business—just under 20 hours per week, on average—and part-time in other paid employment. In this fashion, Etsy sellers are similar to a growing share of the workforce who work independently from a single employer and combine income from multiple sources.

Deloitte recently reported that that consumers who are interested in personalized products are willing to pay up to 20% more for them.¹ Etsy sellers are meeting the rising consumer demand for personalization.



United States of America

¹ Fenech, Celine, and Ben Perkins. "The Deloitte Consumer Review. Made-to-Order: the Rise of Mass Personalisation." Deloitte LLP, 2019.

05 Complex Supply Chains



**FOREWORD BY RACHEL WALD
GLG SOCIAL IMPACT FELLOWSHIP MANAGER**

This report shares Nest’s global snapshot of the compliance landscape beyond the factory, illuminating industry practices. We are proud to introduce our partner’s achievement and to have helped contribute to the work.

Four years ago, GLG named Nest Founder Rebecca van Bergen to our 2015 class of GLG Social Impact Fellows. Our Fellowship is a two-year program through which select social sector leaders and their organizations work with GLG to get smarter, answer questions, gather data, scale, and/or hone their learning capacities. Once we began working with the Nest team, we were impressed with their steadfast commitment to fact finding. Advancing the global handworker economy requires a broad array of inputs, so Nest set out to ask questions, cull the best data, and go directly to the source whenever possible. This report reflects—and validates—that ambition and commitment.

GLG supported these efforts by helping to survey more than 150 diverse brands and retailers about sourcing and compliance. The results documented a gaping industry-wide need to address standards, assessment, and remediation for homeworkers and handworkers. Nest also wanted to understand what best practice could look like, so GLG connected the team with major brands to develop a revolutionary transparency model—which became the Nest Standards for Homes and Small Workshops.

It is our honor to have worked with Nest through our Fellowship and on this report.



Our small-batch led artisan collaboration with Sonica Sarna allowed us to reach a level of texture, delicacy, and color richness in this sheer silk that we haven’t been able to achieve with our European or Asian mills.—Nicole Heim, CIENNE Co-Founder and Creative Director





INDUSTRY SNAPSHOT

1

Nest's best indicator of how much work leaves the factory to enter the home comes from Lucy Siegle's 2008 book, *To Die For*, citing that 20–60% of fashion production of garment production alone is estimated to leave the four-walled factory as work subcontracted to home-based workers who apply details and embellishments by hand¹. The wide variance in this statistic is indicative of the lack of accurate data about industry sourcing practices when it comes to home-based work.

2

In a report by two researchers in Bangladesh for the Solidarity Center, a workers' rights group allied with the AFL-CIO union federation in the US, not one of the workers interviewed knew which factory had contracted them.²

3

WIEGO's survey of three cities—Lahore, Pakistan; Ahmedabad, India; and Bangkok, Thailand—conducted from April 2012 to April 2013, found that 71% of home-based workers were subcontracted homeworkers.³

4

Advances in technology have facilitated the outsourcing of production to people who work in their own homes.⁴

5

A recent survey of 130 international brands, manufacturers and other companies showed that more than 50% of them don't know how and where clothes are produced up to the first tier—their immediate supplier.⁵

1 Siegle, Lucy. *To Die for: Is Fashion Wearing out the World?* Fourth Estate, 2011.

2 Bain, Marc. "A Huge Underclass of Ghost Workers Are Making Your Shirts in Their Homes." *Quartz*, Quartz, 17 Dec. 2015. qz.com/494818/in-much-of-the-world-the-sweatshop-isnt-a-factory-its-someones-kitchen-floor/.

3 Chen, Martha Alter. *Informal Economy Monitoring Study Sector Report: Home-Based Workers*. Women in Informal Employment: Globalizing and Organizing (WIEGO), 2014, pp. 2–10. *Informal Economy Monitoring Study Sector Report: Home-Based Workers*.

4 "Home-Based Workers." WIEGO, www.wiego.org/informal-economy/occupational-groups/home-based-workers.

5 Feitelberg, Rosemary. *Making the Fashion System Traceable, Transparent Focus of UNECE Forum*. WWD, 16 Jan. 2019. wwd.com/fashion-news/fashion-scoops/making-the-fashion-system-traceable-and-transparent-focus-of-unece-forum-in-1202967281/.

METHODOLOGY

In partnership with the GLG (Gerson Lehrman Group), a New York-based insights platform that provides pro bono guidance to the Nest organization, Nest conducted two surveys, one in 2016 and one in 2018, to collect data about current brand attitudes and practices surrounding homework and informal labor from the industry vantage point. The sample for this survey extended beyond Nest's partners, and included GLG's extensive brand network.

In 2016, Nest surveyed 40 retail companies, more than one-third of which are \$100M companies or larger. Nearly half (42%) of those polled held executive management positions including titles of CEO, Founder and President. The second largest categories for positions represented were Sales & Merchandising (15%) and CSR & Sourcing (12%). The majority of retail brands represented (49%) operated within the fashion industry, roughly split between RTW and luxury fashion and couture. These were followed by brands in the apparel sector of retail (45%), handbags & accessories (38%), home décor (35%) and footwear (30%). Outlying brands included those producing hair products, eyewear and paper goods.

In 2018, Nest surveyed 68 retail companies, almost half of which are \$100M companies or larger. Nearly half (44%) of

those polled held senior management positions including titles of CEO, Managing Director, and CMO. The second largest categories for positions represented were CSR & Sourcing (19%) and Product Development (16%). The majority of retail brands represented (73%) operated within the fashion industry, with the largest proportion representing RTW (44%), followed by luxury fashion (22%) and couture (7%). There were followed by brands in the apparel sector (60%), handbags and accessories (56%), footwear (49%), jewelry (44%), home decor (38%), and furniture (28%).

All survey responses were aggregated and anonymized to protect the privacy of the participants. The survey itself was designed and issued by GLG who also connected Nest to data analyst, George Boomer, to assist in analyzing the Survey's data set to extract key insights.

The following information is meant to provide readers with a snapshot of current industry sourcing and supply chain evaluation processes extending beyond the regulated factory to also account for home and small workshop-based production.

A woman with dark hair, wearing a yellow and black patterned sari, is focused on cutting a piece of white fabric with scissors. She is wearing red bangles and a gold ring. The background shows a concrete floor and some white fabric.

An estimated **20-60%**
of garment production leaves the
factory to be completed by hand
in a home or small workshop¹

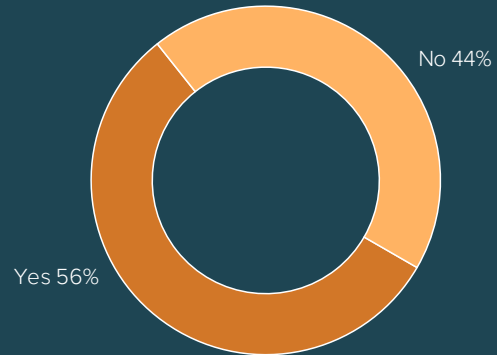
¹ Siegle, Lucy. *To Die for: Is Fashion Wearing out the World?* Fourth Estate, 2011.

KEY FINDINGS

ARTISANAL PRODUCTION MAY BE LIMITED BY PLACE OF WORK

While the majority of brands (56%) reported producing with artisans, only 29% reported production happening in homes or small workshops, where most artisans produce. These findings may imply a brand's conflicting interests. On the one hand, they are interested in sourcing from artisans, but on the other, they are limited to purchasing from those working in larger factory settings, as opposed to within their homes. If this were to be true, the majority of small batch artisan producers would be missing out on an opportunity to work with brands, due to their place of work.

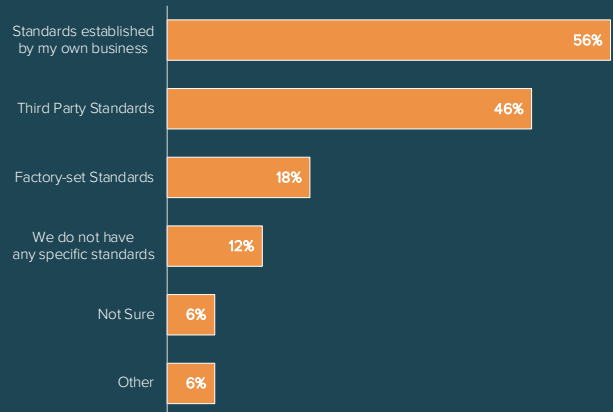
Brands Producing with Artisans



LACK OF THIRD-PARTY STANDARDS FOR HOME OR SMALL WORKSHOP-BASED LABOR

Almost two-thirds (65%) of brands are using standards set by their own companies or by factories to assess artisan and home-based production. While these brands may have good intentions in setting their own standards, the following data indicates that internal standards may be missing important features like home visits and options for remediation. The data also points to a lack of use of third-party standard use for evaluating home-based work.

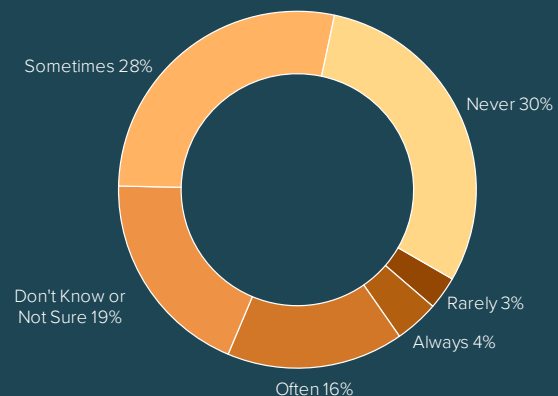
Types of Home/Small Workshop Standards



HOME VISITS ARE UNCOMMON, INHIBITING VISIBILITY TO PRIMARY PRODUCERS

Home visits are not common when assessing home or small workshop-based vendors, pointing to a lack of visibility to the primary producer at the "bottom" of the supply chain. About one-third (30%) of brands report that home visits are never done and an additional 19% are unsure if home visits are conducted. Only 4% of brands are doing home or small workshop assessments that always include home visits.

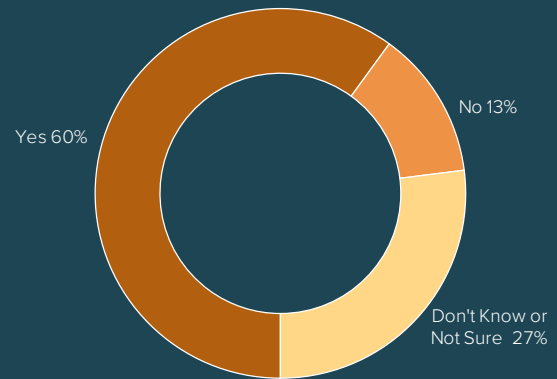
Frequency of Home Visits



REMEDIATION IS NOT COMMON & FEW RESOURCES ARE AVAILABLE

Not all assessment programs for artisans and home-based producers map to remediation recommendations, and in fact 40% of brands reported that remediation recommendations are either not made or they aren't sure whether they are made. This points to a need to ensure stronger remediation programs for work done outside the four-walled factory, so standards are used for a springboard to change instead of an end in and of themselves.

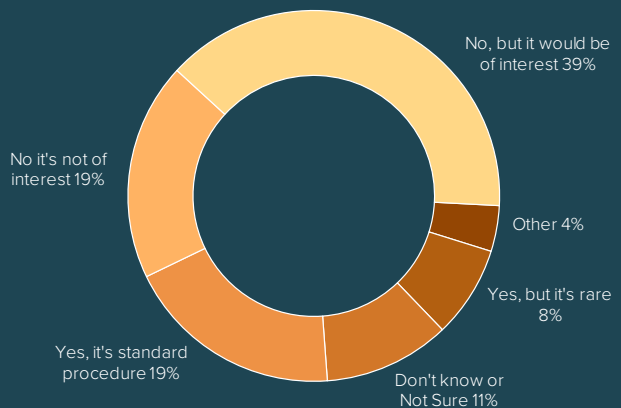
Remediation Recommendations are Made



SUBCONTRACTORS RARELY RECEIVE TRAINING BUT BRANDS ARE INTERESTED IN CHANGING THIS

58% of respondents reported that their current audit systems do not include trainings for sub-contracted workers and 11% reported not knowing whether trainings are done. A small fraction reported that trainings are done, but rarely, pointing to the fact that training for sub-contractors in the supply chain is not typically part of the auditing process. Despite this, 39% of all respondents noted that training for subcontractors would be of interest to them.

Training for Subcontracted Workers



Special Section on Designers and Artisans

Presented In Partnership with the Council of Fashion Designers of America (CFDA)



INTRODUCTION BY STEVEN KOLB CFDA PRESIDENT

Earlier in 2019, I had the opportunity to travel to Guatemala on a trip that Nest's Founder, Rebecca van Bergen, was also a part of. I found myself completely inspired by the culture of craftsmanship.

The local artists are part of collectives formed to preserve the heritage and culture of the region and to create sustainable economic opportunities through their work. They demonstrated the hand spinning of yarn from locally grown organic cotton and we saw, up close, the hand-weaving of colorful garments. The colors all come from natural dyes harvested from plants, bark, and nature. There was also a visit to a ceramic studio and a presentation from Pintando el Cambio, a non-profit with a goal to paint 850 houses in the town of Santa Catarina Palopó.

Craftsmanship and fashion share the same history, which means that our destinies are also intertwined. The fashion industry needs craft and vice-versa. As the President of the

CFDA, I consider myself lucky to work closely with so much extraordinary design talent. I am really proud of the way that designers today are pushing boundaries to explore new cultural horizons and craft techniques. I think there is a huge appetite for craftsmanship as a means not only to play in new mediums, but also as a means to connect to new people and places in an authentic way. I am thrilled that CFDA was able to contribute to Nest's report so that we can all gain a more fact-based understanding of the ways designers are utilizing handcraft, what challenges they are facing in doing so, and what potential there is for these relationships to grow. The fashion collections of today and tomorrow will certainly be all the better for it.

METHODOLOGY

In April, 2019, Nest and Council of Fashion Designers (CFDA) co-designed a ten-question digital survey that was issued to all current CFDA members via the CFDA e-newsletter. Designers were invited to participate in the survey and were told that their responses would be aggregated and anonymized to inform insights into a report that Nest would be releasing on the State of the Handworker Economy. Designers were given one week to complete the online survey, at which time Nest utilized the SurveyMonkey platform to analyze results and summarize key findings for the purpose of this report. Representing a small sample size of 22 CFDA-member designers who completed the online survey, the following key findings help us to begin understanding designer attitudes and practices in relationship to handcraft. Nest and the CFDA look forward to expanding this data to reach larger sample sizes in the future.



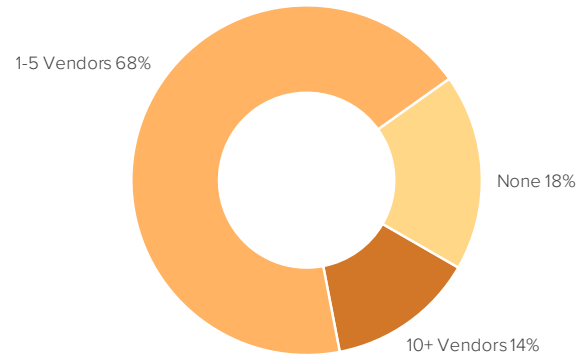
Consumers will pay **17%** more
for handcrafted goods¹

¹ Christoph Fuchs, Martin Schreier, and Stijn M.J. van Osselaer (2015) *The Handmade Effect: What's Love Got to Do with It?*. *Journal of Marketing*, March 2015, Vol. 79, No. 2, pp. 98-110.

KEY FINDINGS

MANY DESIGNERS ALREADY WORK WITH SOME ARTISAN VENDORS

Most designers (85%) already work with artisan vendors and of those who do, 68% source from between 1-5 artisan vendors.



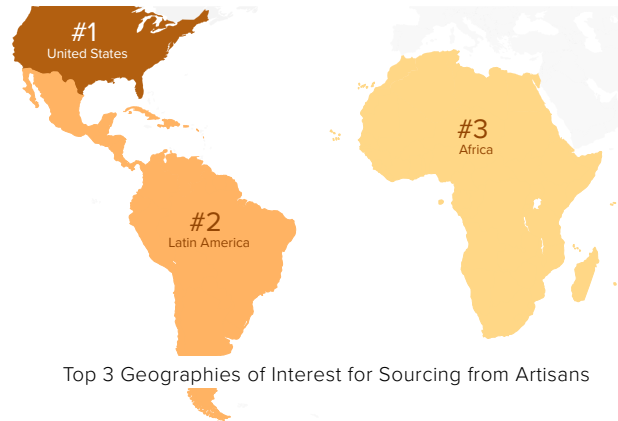
INTERESTS IN EXPANDING ARTISAN SOURCING

Please note that respondents were permitted to select more than one category for most questions.

Most designers are very interested in increasing artisan sourcing. 75% of designers indicated that they are interested in expanding their sourcing from artisans and of those interested, 71% were very interested.

Motivations for increasing artisan sourcing are largely social impact driven, even more so than they are product-driven. 50% of designers reported interest in supporting a social mission as the primary reason that they are interested in expanding sourcing from artisans. This was followed by 45% who reported being most interested in gaining access to new handcraft techniques. Fewer than 5% reported their interests as related to marketing or business goals.

The United States represents the geography of greatest interest to designers when it comes to sourcing from artisans with 77% of designers reporting the US as a region for artisan sourcing that's of great interest. This said, designers are interested in craft from a wide variety global geographies, with results showing a particularly prevalent preference for handcraft from Latin America (72% of designers are interested) and Africa (59% of designers are interested).



A very wide range of craft techniques are of interest to designers, with results indicating widespread interest in **knitting, crocheting, and macramé (62% of designers are interested)**, followed by embroidery, beading, and handloomed textiles, all reported as of interest amongst more than half (52%) of designers.

Top Craft Techniques of Interest to Designers

#1 Knitting / Crocheting / Macramé

#2 Beading
Embroidery
Handloomed Textiles

DESIGNER-ARTISAN CHALLENGES

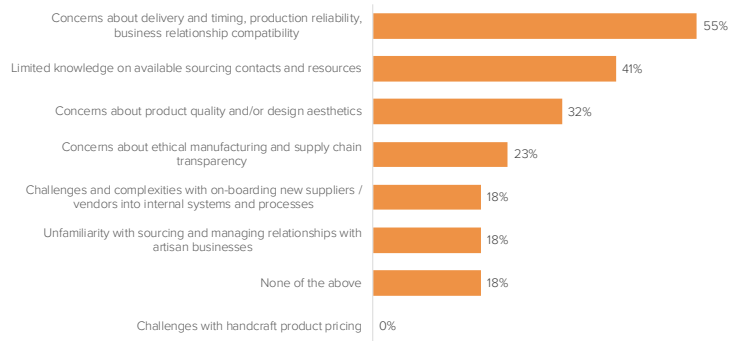
Please note that respondents were permitted to select more than one category for most questions.

For those designers currently sourcing from artisans, the artisans' **inability to meet deadlines** was cited as the primary challenge (58% reported this challenge) that designers report facing. The second most prevalent challenge reported was issues achieving product quality (41%).

Concerns about reliable delivery and timing are the primary barriers keeping designers from expanding artisan sourcing with 54% of designers citing this as their greatest impediment to working with handworkers.



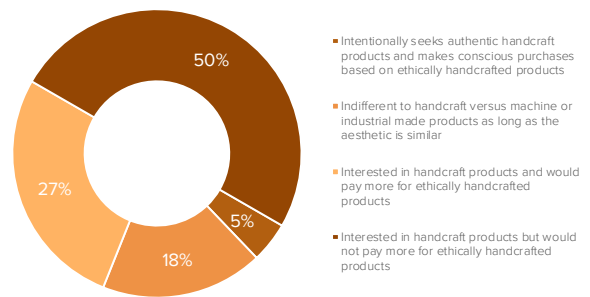
Designers are lacking information on how to source from artisans, with 40% of designers reporting their limited knowledge of available sourcing contacts and resources as the primary reason for not expanding their work with artisans. This points to an opportunity to provide designers with more resources and programs for connecting them to global craftspeople.



DESIGNERS AND FASHION CONSUMERS

Most designers (77%) believe that their consumers are interested in handcraft but of those, only 35% feel that their consumers would pay more for it. This said, designers don't seem to feel that their customers are intentionally seeking out handcraft.

In alignment with a perceived customer interest in handcraft, most designers (58%) are interested in a consumer-facing seal to let shoppers know that their pieces have been ethically handcrafted. Of those interested in a seal, 92% are very interested, pointing to the idea that there is a movement of designers who feel strongly about educating consumers on ethical craftsmanship. Another 40% reported indifference or lack of interest, pointing to polarity across the industry.



06 Handworkers and Homeworkers



FOREWORD BY JENNIFER SCHAPPERT
OECD POLICY ADVISOR

Transparency, while not an end in of itself, is an important pre-condition for upholding the rights of workers. For example, it is fundamental to ensuring effective grievance mechanisms by which workers can raise complaints and access remedy. It is a prerequisite for companies to meet international expectations—including legal obligations—on human rights and labour due diligence in OECD due diligence guidance, and it provides a foundation by which civil society and governments can hold businesses accountable.

While establishing visibility into global supply chains is difficult in most contexts, the challenge is magnified in the context of artisanal work. Artisan workers are often hidden under layers of subcontractors. For example, artisan businesses who've participated in Nest's compliance program report that they work with an average of as many as nine subcontractors per business. Without a line of visibility to their final employers, homeworkers are at risk of exploitation, in some cases earning as little as \$1.80 per day, an estimated 50% less than wages of their factory worker counterparts.¹

As global buyers seek to uphold commitments to respecting human rights across their supply chains, there is a threat that they do so by establishing policies that forbid the use of homework. However, one unintended consequence of such policies is that the work may continue without disclosure from factories or vendors who fear penalization, thus putting workers at greater risk of exploitation. A second consequence of disengagement policies is that companies who wish to expand sourcing from artisans to meet the increasing consumer demand for handmade items, are limited in their abilities to do so.

In light of this, the OECD encourages manufacturers and buyers to responsibly engage rather than disengage.

This means taking steps to gain visibility into the entire supply chain, assessing the labour and human rights impacts on handworkers, and establishing processes to proactively protect workers from exploitation. This includes establishing effective grievance mechanisms. Nest's Standards for Homes and Small Workshops seeks to provide an avenue through which companies can start to meet their responsibilities to respect human rights while furthering engagement with workers.

The data in this chapter represents an important achievement for the sector by illuminating the contextual framework around handworker employment, as well as exposing the gaps in policies to protect them. The collection of consistent data should help to drive company resources towards interventions that can increase the visibility of handworkers, protect their rights, and give them avenues for accessing remedy. It will likewise illuminate where efforts have been effective and where further consideration and stakeholder engagement in shaping responses is necessary. Finally, data across sectors can help to facilitate collaboration at a sector level to contribute to the transformation of the industry towards the responsible inclusion of handworkers.

¹ Ashoka, "Eileen Fisher And Nest Team Up To Drive Transparency In Fashion." *Forbes*, Forbes Magazine, 18 Dec. 2017, www.forbes.com/sites/ashoka/2017/12/18/eileen-fisher-and-nest-team-up-to-drive-transparency-in-fashion/#76853fe1232f.



METHODOLOGY

The following data has been collected from artisan businesses who have participated in Nest's Compliance Program for Homes and Small Workshops. This includes data collected during the program's pilot phase as well as following its official launch in December 2017. Impact and change over time were analyzed by comparing key program metrics collected at the time of baseline measurement to those recollected at the time of Nest's onsite compliance assessment, which is typically conducted 8–10 months following baseline measurement. Based on learnings from the program's piloting phase, the structure of Nest's program evolved such that compositions of the samples differ at each time point, yielding some overlap between the sample of businesses included in data collected at baseline with the sample that participated in assessment. However, the two samples provide valid points of comparison, as the baseline dataset was collected from participating artisan businesses prior to their having engaged in Nest's compliance program and the assessment dataset was collected after businesses had fully participated in the Nest compliance program. Participation includes having gone through Nest training and having worked with Nest on a remote action plan of remediation needs for the business. The baseline business-level data are derived from the same dataset from which the preceding descriptive data is extracted and the assessment data represents 18 unique supply chains from 7 countries (India, Indonesia, Kenya, Peru, Philippines, Rwanda, and Uganda).



WHAT DO WE THINK WE KNOW ABOUT HOMEWORKERS?

- 1 In 1990, after reviewing 70 countries, the International Labor Organization found that only seven countries have collected data on home workers. These countries include the Federal Republic of Germany, Hong Kong SAR, Italy, Japan, Morocco, Liechtenstein and Switzerland¹, largely leaving out developing economies.
- 2 The International Labor Organization estimates 50 million home-based workers in South Asia alone, 80% of whom are women.²
- 3 Some enterprises, especially those run by women, are more likely to be in the home than others. According to Chen et Lesotho, 88% of women's manufacturing enterprises are home-based (compared with 37% of men's).³
- 4 Homeworkers tend to work 6-7 days per week, between 9 and 13 hours per day.⁴

EDITOR'S NOTE

The following data is a representation of baseline findings from engagement with artisan businesses prior to implementation of Nest's compliance program. While the data highlight challenges that the sector faces to ensuring rights and wellbeing for home-based workers, they do not illuminate the root causes of these challenges. Nest wishes to note that many of the artisan businesses who have participated in Nest's compliance program are founded on ethical principles, yet due to resource constraints, isolation, and the historic lack of a standardized compliance program tailored to the home-based or small workshop setting, have not received adequate training on how to put ethical intentions into practice within their complex decentralized supply chains. For example, artisan business leaders may have never been trained in record-keeping or wage setting, leading them to develop their own systems, which while ethical, lack the appropriate standardization of procedure and reliable paper trail to allow for validation. Similarly, failures to meet health and safety requirements in small workshops may stem from a lack of prior education about health risks posed by production processes or by insufficient access to resources to build the infrastructure needed to facilitate safe working environments. These are only a few examples of constraints within the sector that stem largely from a lack of training and education. Furthermore, the baseline data outlined in the following pages reflects practices and policies at the artisan business level, not policies and practices followed by brands and retailers. Nest acknowledges that brands and retailers often times have appropriate policies and practices in place to ensure business transparency and worker's rights. As discussed in this report, Nest is working with brands and other stakeholders to close the gaps that can make it difficult for brands and retailers to ensure these policies and practices are followed by artisan businesses further down the supply chain. Given that the purpose of this report is not to share impact data promoting the efficacy of Nest programs, but rather to publish unbiased baseline data on the sector, the following findings do not take into account the improvements that Nest has quickly seen across virtually all indicators following initial training on its standards for ethical and safe practice in homes and small workshops. The findings therefore should be used to help readers better understand the current gaps in awareness and training that are ripe for improvement.

1 Hassan, Syeda Mahnaz, and Azlinda Azman. "Visible Work, Invisible Workers: A Study of Women Home Based Workers in Pakistan." *Academia.edu*, Horizon Research Publishing, Apr. 2014. www.academia.edu/7560178/Visible_Work_Invisible_Workers_A_Study_of_Women_Home_Based_Workers_in_Pakistan. Vol.2. No.2, p.49.

2 "Kathmandu Declaration, 2000." *Kathmandu Declaration, 2000 | Homenet South Asia, 2000*, hnsa.org.in/resources/kathmandu-declaration-2000.

3 Chen, Martha, et al. *Counting the Invisible Workforce: The Case of Homebased Workers*. 27, No. 3, Elsevier Science Ltd, 1999, p. 606.

4 Tipple, Graham. "The Place of Home-Based Enterprises in the Informal Sector: Evidence from Cochabamba, New Delhi, Surabaya and Pretoria." *Urban Studies*, vol. 42, no. 4, 2005, pp. 611–632., doi:10.1080/00420980500060178.

KEY FINDINGS



DEMOGRAPHIC INSIGHTS

- ▶ The average age of a handworker interviewed by Nest is **36 years**.
- ▶ **Almost two-thirds** of the handworkers interviewed by Nest are women.
- ▶ **36%** of the handworkers interviewed by Nest work from their homes and an **additional 7%** work from both their homes and small workshops.
- ▶ On average, handworkers have **3 children** and live in households of **6 people**. **Two thirds** are married.
- ▶ Literacy is a common challenge among handworkers. **Almost half (48%)** of handworkers interviewed by Nest cannot read or write.
- ▶ Handworkers tend to have poor financial safety structures in place. **Less than half** of handworkers interviewed have a bank account.



WOMEN & HOMEWORK

- ▶ Working from home has **positive implications for women** handworkers by helping women meet demands of child care and goals for child education while imparting greater personal agency to women who craft.
- ▶ **More than half** of women handworkers (51%) interviewed by Nest work from home, in comparison to only 11% of male handworkers who work from home, as opposed to within a small workshop.
- ▶ **100%** of women handworkers agree that their work environment (homes or small workshops) helped them take care of their children better.
- ▶ **92%** of women homeworkers agree that their income from handwork enabled their children to complete high school.
- ▶ **92%** of women handworkers agree that their decision-making ability, a strong measure of empowerment, has improved since they started working as a handworker.



HANDWORKER INCOME USER

- ▶ **40% of women handworkers interviewed reported that they primarily spend their income from this work on their children's education** whereas in comparison, 0% of men interviewed reported they primarily spend their income on children's education and instead 89% of men reported spending primarily on essentials such as rent, food, and clothing. This finding highlights the critical role a woman handworker's income plays in her children's education.



FAIR COMPENSATION

- ▶ **Only 15% of artisan businesses had clear and consistent-record keeping for production and wages.** Without appropriate record-keeping systems, there is no verification of artisan business practices, leading to limited evidence of how, when, and how much workers are paid.
- ▶ **Only 5% of artisan businesses had appropriate methodology to set minimum wages.** Most handwork is compensated for on a piece-rate basis. To ensure that worker wages are meeting minimum wages, it is essential to use appropriate calculations such as time and motion that take into account the time spent making a product, rather than simply the quantity of products made.



RE-CALIBRATING WAGES OVER TIME

As a basket weaver in the Philippines, Angela earns 33 pesos per basket, giving her the opportunity to earn 200 pesos per day working normal hours. However, in the span of ten years since Angela began her employment, the region's minimum wage has increased by more than 30% while her wages have remained the same. A lack of transparency due to poorly kept records across the basket weaving supply chain, exacerbated by the role of multiple subcontractors positioned between the business leadership and its artisan employees, made business leadership unaware of Angela's predicament. The business had also failed to conduct new time motion studies to determine fair wages, so its wage-setting standards were outdated. For the past ten years, US-based brand purchasing prices had also gone unchanged.

By implementing standardized record keeping, conducting subcontractor trainings, and regularly re-issuing time motion studies, artisan businesses can begin to better calibrate wages over time.

RECOGNITION FOR HIDDEN WORKERS, USUALLY WOMEN

The wife of a handloom weaver in Bihar, India, Indira often spins the bobbins of yarn her husband uses for weaving, contributing to her family's livelihood. On average, Indira spends up to four hours spinning bobbins for every eight hours of weaving done by her husband. Her daughter or sister helps Indira on occasion, but none of these women earns an income for her labor. Instead, Indira's husband is considered the sole artisan of the household. The business employing him calculates piece rate wages based on the time and technical skill needed for his weaving exclusively, without accounting for preparatory or finishing work the women in his household contribute to. Nest's assessment process uncovered 150–200 "hidden workers" like Indira throughout the artisan business' supply chain, and has discovered similar occurrences of hidden workers across supply chains globally. Quite often, these workers are women who work from home, balancing their household work with craft with the goal of contributing to their household income to make ends meet. However, the institutionalized practice of paying only the head of the family for handwork, resulting from the lack of an appropriate wage setting methodology, often neglects recognition of core subconstituent of the handworker workforce.

Home visits can play an important role in ensuring that "hidden workers" who are often women, are visible and fairly compensated for their contributions to craft production.



BUSINESS TRANSPARENCY & WORKER RIGHTS

- ▶ **Less than one-third of artisan businesses had age verification documentation** on file to ensure that workers are above legal hiring age. In order to ensure the absence of child labor in supply chains, all workers must be documented and verified.
- ▶ **Only 2% of the artisan businesses had existing formal policies outlining worker rights and business practices for decentralized workers.** This indicates that workers are mostly unaware of the rights they are entitled to and creates a workplace environment with limited accountability.
- ▶ **More than 90% of artisan businesses did not have signed agreements maintained with the decentralized layers of their supply chains.** This can result in a disconnect between business leadership and the end workers, contributing to lack of transparency to home-based workers.



MAINTAINING HEALTH & SAFETY

At a small workshop in Kenya, Paul spends his work day making artisanal jewelry products. His production process requires the use of electric sanding machines and soldering tools, often exposing him to open flames and compressed gas tanks, as is typical during metal production. However, the workshop in which Paul works lacks robust fire safety measures or First Aid supplies that should be readily available to protect workers in case of emergencies. The absence of these safety measures poses a significant health hazard to Paul and his co-workers, who like many artisans in similar situations, may not be aware of the potentially devastating consequences of workplace accidents. Miles away from Paul in India, Maya works in a small workshop utilizing a dyeing processes that requires her to handle natural dyes and some chemicals. Maya does not have access to appropriate personal protective equipment (PPE) to protect her skin and eyes in case of sudden accidents that could occur during production.

Fire safety, First Aid, and PPE are important tools for protecting workers' health and ensuring their safety. Lack of proper safety systems and tools is particularly common across small workshops around the world, largely due to the fact that small businesses often lack the resources, education, and guidance needed to implement protective measures.



HEALTH & SAFETY

- ▶ **More than half of the artisan businesses** did not have appropriate fire safety measures in place inside their workshops. Due to the informal nature of handworker workshops, fire safety is frequently overlooked; however, it is essential in small workshops, especially when production processes involve open flames or electric equipment that can pose safety risks to workers.
- ▶ Workers in **less than one-quarter of artisan businesses** were appropriately using necessary Personal Protective Equipment (PPE). PPE use is critically important for worker health and protection from production hazards such as chemicals, fumes, or other health risks.
- ▶ **Almost half of the artisan businesses** utilizing small workshops did not have any First Aid supplies available for workers in case of workplace injuries. It is critically important for small workshops to have essential First Aid supplies available for workers, especially when high-risk processes using open flames, chemicals, or heavy machinery, are involved.

Spotlight:

Child Rights in Home-based and Small Workshop Settings in Asia

INTRODUCTION BY SAVE THE CHILDREN GERMANY

While home-based production has the potential to generate positive economic opportunities for families facing poverty, the unregulated nature of this work poses unique challenges to ensuring decent work for youth and working mothers. How can we ensure that mothers all around the world can continue reaping the benefits of home-based work while also making certain that it is not at the expense of children's health and safety? Alongside Nest, Save the Children Germany and CCR CSR sought to better understand the unique conditions of home based work and its relationship to family life. Together, we have begun to build a baseline understanding of who the artisan mother is and just how important it is for her to work from home. Instead of traveling to a city or finding work at a factory, millions of women today still choose to craft in their homes. As we may have suspected, their children have a lot to do with this decision.

METHODOLOGY

This research project was initiated by Save the Children Germany¹ to evaluate the impact of home and small workshop-based work on child rights, examining both the challenges to ensuring child rights as well as identifying opportunities to improve child rights in these informal work settings. The Center for Child Rights and Corporate Social Responsibility (CCR CSR) led the research, with Nest acting as a key collaborating partner by leveraging the organization's wide network of artisan businesses and ability to directly access to artisans to collect data at the worker level.

The following data is derived from a sample of 542 artisans with children under the age of 18, interviewed in China, India, Indonesia, Myanmar and Vietnam. This data was collected using quantitative surveys on tablets and the target population was comprised of female artisans working from their homes or small workshops, with at least one child under the age of 18.

MOTHERS AND THE HANDWORKER ECONOMY

- ▶ **87.6%** of artisans interviewed were female and the average age was **37 years**.
- ▶ **A majority (67.3%)** of the artisans interviewed resided in rural areas while **16.2%** lived in urban areas and **16.4%** lived in semi-urban areas.
- ▶ On average, the artisans interviewed began working at the age of **20.8 (+/- 9.0)**.

¹ These findings will be included in a larger report launched by Save the Children Germany in Berlin on May 24, 2019 in Berlin, Germany.

KEY FINDINGS

- ▶ **Child care is a key driver for artisans' preference to work in a home-based or small workshop-based setting.** When asked about the most important factors informing for their preferences for home-based or small workshop-based work is, the most frequently reported responses were:
 - ◆ Flexibility allowing more time for house work and/or child care (92.0%)
 - ◆ Better child protection (36.2%)
 - ◆ Lack of other child care options (31.7%)
- ▶ **Women cited child care as a primary reason for leaving their work in a factory to work from home,** pointing to home-based work as an important resource for mothers in the informal economy. Of the artisans interviewed, 27% had worked in a factory previously. The most common reason reported for quitting factory work was children (40.1%), followed by distance/commute (10.5%), and work hours (5.3%).
- ▶ **Not only are mothers engaging in handwork from home, but most also find it preferential to do so.** More than three-quarters of the artisans interviewed reported that they most prefer working from their homes (80.2%) as opposed to other places of work. Of the remaining artisans, most reported small workshops (12.1% of the whole sample) as their preferred place of work.
- ▶ **Homes and small workshops as places of work offer workers the advantage of flexible work hours that can accommodate personal priorities and demands such as child care.** Of the artisans interviewed, 78.3% (87.6% for homeworkers) reported that their work hours are flexible and they have the ability to set their own hours each day. Consequently, 62.6% of artisans interviewed reported that their work hours always allow them enough time to care for their children (while 30.3% say mostly).





HOW CAN HOMEWORK HELP CORRECT GENDER INEQUITY IN THE GLOBAL ECONOMY?

From the World Bank:¹

- ▶ In the agricultural sector, increased access to productive resources for women (commensurate with levels for men) could have a productivity gain as large as 4%.
- ▶ In male-dominated sectors and occupations, removing obstacles for women to enter could trigger productivity increases of as much as 13% to 25%.
- ▶ Barriers preventing women from fulfilling their economic potential are estimated to have cost the Asia-Pacific region somewhere between \$42 billion and \$46 billion in GDP losses.
- ▶ In some developing countries—especially in the Middle East and North Africa—women’s participation rates are lower than expected and notably lower than men’s rates, considering the education and age levels of the population. Raising the labor participation rates to the expected level would boost household income by 25%.
- ▶ In countries where there are greater numbers of legal differentiations between men and women, fewer women work, own, or run businesses.
- ▶ In Vietnam, garment factories saw a decrease of staff-turnover rates to the tune of 30% after the firm established a kindergarten for workers’ children.

¹ “ICF Jobs Study. Assessing Private Sector Contributions to Job Creation and Poverty Reduction. Findings on Gender.” World Bank, International Finance Corporation, Jan. 2013.

Special Section: Steps to Change



**FOREWORD BY DOUGLAS GUILLEY
WEST ELM & WILLIAMS-SONOMA INC. CSR SVP OF
GLOBAL SOURCING**

Since West Elm’s founding in 2002 Artisan and craft have been a key differentiator for our brand and what our customers love about us. This has led us to commit to maintaining at least 20% of our assortment in craft and artisan products and this is why our partnership with Nest works so well.

While our factory auditing standard ensured that the finishing factories met our requirements, we were in need of an industry-approved standard to audit the next layer of the supply chain. This is what the Nest compliance program now allows us to do—to go deeper to the home level where we know that craftwork takes place. Around the world, craft is often done in homes and small workshops, so there is an important cultural preservation piece tied to this type of work. Through our alliance with Nest, we are confident that we are not only putting out handmade products our customers love, but we are also generating economic opportunities for people, families, and communities in our supply chain. Utilizing Nest’s training-first approach to assessment allows us both to map and verify complex decentralized supply chains as well as to work alongside our vendors, including subcontractors and home-based workers, to help them improve their businesses practices. So many artisan businesses are already operating ethically—it’s about helping them standardize their processes and giving them the tools to demonstrate it.”

METHODOLOGY

The following data has been collected from artisan businesses who have participated in Nest’s Compliance Program for Homes and Small Workshops. This includes data collected during the program’s pilot phase as well as following its official launch in December 2017. Impact and change over time were analyzed by comparing key program metrics collected at the time of baseline measurement to those recollected at the time of Nest’s onsite compliance assessment, which is typically conducted 8-10 months following baseline measurement. Based on learnings from the program’s piloting phase, the structure of Nest’s program evolved such that compositions of the samples differ at each time point, yielding some overlap between the sample of businesses included in data collected at baseline with the sample that participated in assessment. However, the two samples provide valid points of comparison, as the baseline dataset was collected from participating artisan businesses prior to their having engaged in Nest’s compliance program and the assessment dataset was collected after businesses had fully participated in the Nest compliance program. Participation includes having gone through Nest training and having worked with Nest on a remote action plan of remediation needs for the business. The baseline business-level data are derived from the same dataset from which the preceding descriptive data is extracted and the assessment data represents 18 unique supply chains from 7 countries (India, Indonesia, Kenya, Peru, Philippines, Rwanda, and Uganda).



COALESCING AROUND INDUSTRY STANDARDS

On December 7th at the United Nations, Nest, in the company of brand and artisan partners officially launched the Nest Standards for Homes and Small Workshops and the Nest Seal of Ethical Handcraft. Built and piloted in collaboration with brand pioneers, the program is working towards industry-wide transparency and compliance for production taking place beyond the four-walled factory. Since the program's official launch, 13 artisan businesses across 7 countries have fully participated in Nest compliance program from training through assessment, moving them on a path towards greater transparency and improved ability to ensure handworker rights and wellbeing. Of these businesses, close to 50% (six) artisan businesses have completed the year-long compliance program, achieving a level of compliance as measured against the Nest Standards, to the degree at which they have received Nest Certification. In 2019, The Nest Seal of Ethical Handcraft appeared for the first time on select hand loomed rugs at West Elm.

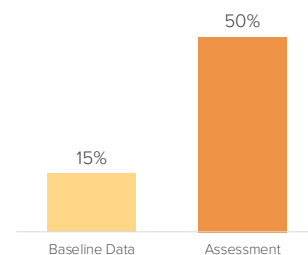
KEY FINDINGS

Following training on the Nest Standards for Homes and Small Workshops and remediation implementation, artisan businesses demonstrated the following increases in transparent business practices that support worker rights and wellbeing. The marked improvements realized over the 8 to 10-month period between baseline data collection and Nest assessment is indicative of the level of relatively rapid change that can occur once artisan businesses are trained in standardized procedures and once education is disseminated throughout all layers of decentralized supply chains.

Following assessment, all artisan businesses receive a corrective action plan from Nest, outlining key areas for improvement and suggested steps towards increasing compliance over time. Corrective action plans are also shared with sourcing brand partners who are able to play a role in facilitating positive change. On-site re-assessment is then conducted on an annual basis to measure continued improvements.

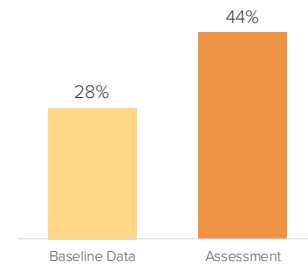
CLEAR AND CONSISTENT RECORD-KEEPING

Artisan businesses showed an increase of 35 percentage points, from just 15% of all businesses showing clear and consistent record keeping (wage and production or attendance records) at the worker level to half of all businesses demonstrating this at the time of assessment.



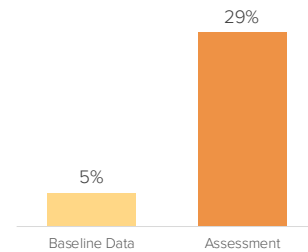
AGE VERIFICATION DOCUMENTATION

Artisan businesses showed an increase of 16 percentage points, with 28% of all businesses keeping age verification on file for all home or small workshop-based workers at the time of baseline data collection and close to half (44%) having such records on file at the time of assessment.



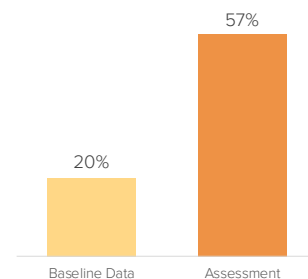
WAGE CALCULATION

Artisan businesses showed an increase of 24 percentage points, with just 5% of all artisan businesses using scientific methods such as time motion studies to calculate wages to be compliant with minimum wages, compared to more than one-quarter (29%) of all businesses who were using time motion studies to calculate fair wages at the time of assessment.



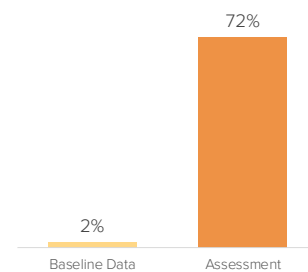
SAFETY EQUIPMENT

Artisan businesses showed an improvement of 37 percentage points, with 20% of all businesses using required personal protective equipment for all workers at the time of baseline data collection, compared to more than half (57%) of all workers using personal protective equipment at the time of assessment.



WORKER RIGHTS POLICIES

Artisan businesses showed a dramatic improvement of 70 percentage points, with only 2% of artisan businesses having clear policies communicating worker rights conveyed through worker manuals, compared to nearly three-quarters (72%) of all businesses who had these materials in place at the time of assessment. Nest provides all artisan businesses that participate in its compliance program with a worker manual that template that they are able to easily adapt to the needs of their own businesses.





07 Glossary

ARTISAN

Artisanal products are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant (UNESCO).

COTTAGE AND SMALL-SCALE INDUSTRY

A production carried on wholly or primarily with the help of the members of the family, whether as a whole or a part-time occupation. A small-scale industry is one that is operated mainly by hired labor, usually not exceeding fifty workers in any establishment or unit not using any motive power, or twenty workers in any establishment using such power. A handicraft industry is a cottage or a small-scale industry, the products of which are artistic in character and require skill and craftsmanship in their manufacture (The Economic Commission for Asia and the Far East).

CREATIVE INDUSTRY

The creative industries comprise economic activities tied to the generation or exploitation of knowledge and information. Especially in Europe, creative industries may also be referred to as cultural industries and are considered to include fields such as advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, and more.¹

HANDWORKER

Those who work predominantly with their hands, as opposed to relying exclusively on the use of machines. Nest uses the term “handworker” to describe the population it serves, inclusive of both skilled artisans as well as less skilled manual laborers producing for the fashion and home design industries. The term was adopted from the Germany term “handwerker”, used to describe the country’s artisan population.

HOMEWORKER

People working from their homes or from other premises of their choosing other than the workplace, for payment, which results of a product or service specified by the employer (ILO)

HOME-BASED ENTERPRISE

A home-based enterprise is one that occurs in or very close to the home rather than in a commercial or industrial building or area (Tipple, 2005).

¹ Howkins, John. *The Creative Economy How People Make Money from Ideas*. Penguin Group (USA) , 2001.

INFORMAL ECONOMY

A sector is broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labor and capital as factors of production and on a small scale. Labor relations—where they exist—are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees (ILO).

MAKER

An umbrella term for independent inventors, designers and tinkerers. The term, according to AdWeek encompasses a convergence of computer hackers and traditional artisans.

PIECE-RATE

Piece work (or piecework) is any type of employment in which a worker is paid a fixed piece rate for each unit produced or action performed regardless of time. Piece-rate compensation is standard practice in the handworker economy. While there is nothing inherently wrong with per piece compensation, it presents challenges to record keeping and determining fair wages.

SME

Small and medium-sized enterprises (SMEs) are non-subsidary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers. Financial assets are also used to define SMEs. In the European Union, a new definition came into force on 1 January 2005 applying to all Community acts and funding programmes as well as in the field of State aid where SMEs can be granted higher intensity of national and regional aid than large companies. The new definition provides for an increase in the financial ceilings: the turnover of medium-sized enterprises (50-249 employees) should not exceed EUR 50 million; that of small enterprises (10-49 employees) should not exceed EUR 10 million while that of micro firms (less than 10 employees) should not exceed EUR 2 million. Alternatively, balance sheets for medium, small and micro enterprises should not exceed EUR 43 million, EUR 10 million and EUR 2 million, respectively.²

² Howkins, John. *The Creative Economy How People Make Money from Ideas*. Penguin Group (USA), 2001.

08 Conclusion



Nest's State of the Handworker Economy Report reveals new descriptive data meant to provide readers with a fact-based picture of the handworker economy as it operates to date. The report paints a picture of an enormous global population with huge but poorly quantified economic and social potential. Lack of data on the sector limits the agency of every stakeholder in the supply chain. Most vulnerable to this opaqueness is the handworker or homemaker at the very bottom of the supply chain whose lack of visibility lends itself to possible exploitation. However, the report also presents an industry on the verge of change. While brands have historically been limited in their abilities to validate and improve supply chains beyond the four-walled factory, most brands are eager to expand transparency to the handworker level and even to invest in helping to drive positive change from the bottom up. Consumers are ready and willing to play a part in this change by using their dollars to vote for ethically handcrafted goods.

ARTISAN BUSINESSES/SMES

01

Artisan businesses are powerful vehicles for women's employment with most artisan businesses employing a majority female workforce. Women are documented to invest more earnings in their families and communities than their male counterparts, pointing to opportunity for craft based work to drive both economic and social impact. Many artisan businesses cite gender equity as a primary cornerstone of their social missions.

02

Artisan businesses have exporting capabilities and most are already engaging in some level of product export beyond the local marketplace. This said, many artisan businesses sell in local markets despite their export capabilities, pointing to an untapped opportunity for expansion into new international markets.

03

Artisan businesses tend to grow their technology use as their companies grow over time. However, most businesses are limiting their technology use to basic platforms and social media like email, Facebook and Instagram, instead of utilizing the full scope of new and relatively inexpensive technologies like Google for business, CRM software, and selling platforms like Shopify.

INDUSTRY PLAYERS

01

Most companies who reported subcontracting to small workshops/homeworkers said that they use internally set standards for assessing production in these work environments. This points to a need for a reliable system that assesses home-based work. When assessments do take place, home visits are not common, pointing to a lack of visibility to the primary producer at the “bottom” of the supply chain.

02

A lack of industry standardization exists when it comes to assessing home or small workshop based production. Most brands reported using standards set internally by their own companies as opposed to engaging third parties, pointing to an opportunity for the industry to better align on a universal, standardized system for validating work beyond the factory.

03

Brands are interested in programs that not only afford supply chain visibility but also include ways to remediate aspects of their supply chain that need improvement. Brands seem to want to be a part of the solution and are willing to invest in improving compliance in their supply chains.

HANDWORKERS AND HOMEWORKERS

01

Clear and consistent record keeping and documentation is a major challenge in documenting home-based work, making wage payments and hours worked difficult to track. Improved, standardized, and likely digitized record keeping systems are needed to make sure that handworkers are not exploited.

02

Home-based work environments pose unique safety challenges to handworkers, largely due to a lack of training on health and safety-promoting measures. Concerted training catering specifically to the unique home environment, in which most factory safety standards do not apply, is needed.

03

Handworkers are almost universally paid with piece rate wages as opposed to a salary. While there is nothing inherently wrong with piece-rate payments, the methodology for determining per piece work is often poorly defined or nonexistent, contributing to a greater likelihood that handworkers will be paid unfairly. Standardized methodology for implementing time-motion studies should be utilized to ensure fair wages to handworkers.

WOMEN AND MOTHERS

01

Women doing handwork are invested in their children's education, with 40% of women interviewed through the Nest compliance program reporting that their primary use of income is to put children through school. In contrast, no men are making children's education the primary use of the income they generate through handwork.

02

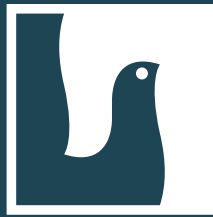
Women universally cite home-based work as helping them better care for the children and report this to be the primary benefit of home-based work that they most appreciate.

03

The need to care for children is the primary reason why women leave work in a factory to do handwork inside the home, making home-based work an important alternative for women who might otherwise have to stop working altogether.



photo credit: Alison Wright



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