Informal <u>matters</u>: The strategic imperative of engaging with Asia's informal workers

Insights on good business practice in support of informal workers, internal migrants and other groups, from global research and businesses operating and sourcing from South and Southeast Asia.

People's Courage International

Kite insights.

INFORMAL MATTERS

The strategic imperative of engaging with Asia's informal workers

This report is for business leaders, managers, and investors in large and medium businesses with operations and sourcing relationships in South and South-east Asia that are likely to have significant numbers of informal workers, including internal migrants, in their value chains.

Drawing on decades of experience and new research, this is a vital resource for business leaders and investors in industries that feature informal work - such as construction, textiles, electronics, digital platforms and many others.

Here you will read about why prioritizing these workers is a critical matter for business today, and even more so soon. You will find data and research that illustrates the lived experience of workers and migrants, and best practices from businesses and experts that can guide your future actions.

Why informal workers demand businesses' attention today

A series of political, economic, social and environmental mega-trends mean that the experience of workers should be at the top of leadership agendas in many industries.

INFORMAL WORK IS A FEATURE OF YOUR VALUE CHAIN

Informal workers make up about **61% of the global labour force**, and more in Asia. Companies have worked to eliminate informal work in direct workforces and Tier-1 suppliers. However, a deeper look at supplier and contractor workforces reveals high levels of informality. One 2021 study found **unauthorised subcontracting, using informal labour, was found in 36% of orders**.

EMERGING REGULATION

New sustainability regulations include significant social components, and more social-focused regulations are coming.

Businesses will be expected to have visibility (and take responsibility) for their **whole value chain**.

CONSUMER EXPECTATIONS

Consumers across the world, including Asia, see worker treatment as a critical part of product quality. NGOs are calling out businesses that don't act.

COMPETITION FOR TALENT

Businesses are increasingly seeing the need to attract and retain skilled and experienced informal workers in their value chains.

The role of internal migrants

Across Asia, many people move internally to find work; often into informal roles in sectors like construction and manufacturing.

Internal migrants face distinct challenges, making them more vulnerable. Businesses that understand this can respond more effectively.

ACCESS TO FINANCE AND INVESTMENT

These ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024. Banks and investors increasingly favour businesses with holistic approaches to ESG.

CLIMATE CHANGE

Increasing climate events are driving increased internal migration – **up to 40 million in South Asia by 2050** – leading more people towards precarious informal work in company value chains, creating increased risks and vulnerabilities.

The state and experience of informal workers

Informal workers make up significant proportions of the people in the value chains of global and regional businesses operating in South and South-east Asia, particularly in manufacturing and service industries like garments, construction, electronics, and digital platforms.

They are vital to their industries and economies, but often overlooked.

They often face challenges including low pay, poor conditions, and a lack of access to social protection.

FACTS AND FIGURES

- Across Asia-Pacific, informal employment accounts for almost half of the employment (47%) in urban areas.
- 85% of workers in Bangladesh's Garments industry are internal migrants
- Over 80% of workers in the Indian construction sector are informal.
- 38% of the manufacturing workforce in Vietnam was informal in 2019.
- The Asian digital platform workforce is expected to grow to 23.5 million workers by 2029-30.

Businesses with different workforce structures might focus on different recommendations in this report.

MANUFACTURING AND LONG SUPPLY CHAINS
Invest in establishing visibility and in building relationships with suppliers and partners.

TEMPORARY OR HIGH-ROTATION WORKFORCES
Provide support at facilities and build stronger relationships with contractors.

What businesses can do

Today companies in South and Southeast Asia and that source from it are seeing significant value, and reducing risk, through programs in support of informal workers and particularly vulnerable groups.

Establish conditions for action

VALUE CHAIN VISIBILITY

An essential first step for businesses will be to build a deeper and more granular picture of their value chain. This includes identifying where and in what scenarios informal workers and other vulnerable groups are likely to be present.

MAKE INTERNAL CONNECTIONS

Often, sustainability, human rights and procurement functions in businesses are not well connected. This can lead to missed opportunities and difficulty in establishing cohesive approaches to addressing supply chain issues.

ESTABLISH SOCIAL DIALOGUE

Social dialogue empowers workers by promoting participation in decision-making, enhancing their agency, and integrating their needs into labor policies.

Learn more

People's Courage International can support companies to understand and engage workers in their value chains.

Engage with your value chain and wider system

SUPPORT SOCIAL PROTECTION

Social protection programs and policies can lower inequality and reduce the poverty gap by about 45%. Businesses, often in partnership with NGOs and other local actors, can establish programs that help workers access them.

PROVIDE FOR BASIC NEEDS

Particularly for seasonal work, businesses can improve workers' experience with modest investments in infrastructure and services on site. These actions don't need to be limited to companies with significant on-the-ground footprints.

BUILD LONG-TERM RELATIONSHIPS

Many industries are shifting towards long-term supplier relationships. This approach enables companies to build the practices and capabilities of suppliers in collaboration to support workers together.

TAKE A SYSTEMIC APPROACH

Adopting sectoral and place-based approaches means working with local governments, community representatives, and other businesses operating in the same sectors and places. The goal is to develop a shared vision for change.

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FOREWORD

People's Courage International's work on the ground has focused on improving conditions for internal migrants and informal workers, who often toil in the shadows of our economies, without recognition or access to basic protections. We have witnessed firsthand the profound challenges these workers face—challenges that not only threaten their livelihoods but also undermine the social and economic fabric of the regions they help sustain.

While direct support remains crucial, we have also come to understand that lasting change requires transforming the broader systems that shape the lives of these workers. This is why we have decided to produce this report. Climate change is here and impacts workers and businesses in the same and different ways. While businesses go about finding ways of adapting and mitigating this global calamity, the only way we can drive meaningful change is by including worker protection and support. Evidence and good practice are essential in this journey, and it is our hope that this report will serve as a valuable resource for business leaders who are ready to make a difference.

We have already observed a growing appetite from many businesses to better understand and implement policies that improve outcomes for migrants and workers. Today, however, these companies only represent a small minority of those operating and sourcing from South and Southeast Asian economies. We hope that the recommendations made in this report will spur the existing stakeholders to do more, and the new ones to take bold steps to realise transformative change. With our partners, we look forward to engaging with business leaders and other stakeholders to grow the movement of organisations that lift up their whole value chains.

Ashif Shaikh,
CEO - People's Courage International

PREFACE

Governments, companies, and civil society express worry regarding informal laborers, particularly in South and Southeast Asia, during a time of rapid globalization and socio-economic transformation. This study, **"The Strategic Imperative of Engaging with Asia's Informal Workers,"** discusses the issues faced by these people and their vital part in industry value chains.

Numerous Asian nations engage millions in perilous informal employment devoid of rights. Inadequate remuneration, hazardous conditions, and inadequate social protections afflict these workers. Recognizing informal labor relations is essential when organizations emphasize ethics and social responsibility.

This study is the outcome of extensive research, encompassing interviews with the corporate sector, civil society, and academic stakeholders. It offers pragmatic solutions for companies aiming for substantial interaction with informal workers. Businesses can mitigate reputational risks, enhance operational resilience, and foster sustainable development by improving working conditions and advocating for the rights of those who work there.

Businesses must adopt an extensive plan for employee well-being, particularly for disadvantaged workers, as we adapt to a changing environment. This paper advocates for corporations to recognize the significance of informal workers and enhance their rights and wellbeing.

We hope that this report will stimulate conversation, inspire collaboration, and generate creative ideas to empower informal workers and create an economy that is more equitable. We can ensure that every worker is recognized, safeguarded, and empowered in order to succeed.

INTRODUCTION

Today's corporate world features increased scrutiny of companies' practices and expectations that they do well, not just by their shareholders, but also the communities they influence. In this environment, worker well-being and rights are a major issue for any business today. Companies have gradually established standards and procedures for their suppliers; some have helped expand access to social benefits and formal finance systems for more workers in their value chains.

But formal workforces and direct suppliers are only the tip of the iceberg. Often hidden are the millions of informally employed workers who are the driving force and majority of workers in many industries. This is particularly true in countries like Bangladesh, India, Indonesia, Nepal, Philippines and Vietnam – the focus of this research - in South and Southeast Asia, where a significant portion of global manufacturing happens, and where 88% and 75% of workers are in informal work, respectively.[1]

Workers without contracts and formalised status face a wide range of challenges that make them vulnerable. They often experience low pay and poor working conditions, and struggle to access social protections that would bolster their quality of life and security, particularly when away from home.

What's more, the experience of informal workers is not uniform. Different groups face distinct and intersecting challenges according to where they are, what industries they work in, their background and where they are from. As the private sector is increasingly driven by a range of factors to do more in support of these workers today (even while supporting more systemic change in parallel), they will need to understand and be able to respond to these varied and discrete needs.

For years, People's Courage International has worked with informal workers, particularly internal migrants –

ABOUT PEOPLE'S COURAGE INTERNATIONAL

People's Courage International (PCI) promotes initiatives that work deeply – and at scale – on the ground and leverage this to change systems. To ensure the success of our initiatives, we support grassroots leaders and organizations by bringing resources, technical capacity, research, technology, and other supports so they can better realize their impact potential.

ABOUT KITE INSIGHTS

Kite Insights are a mission-driven research and capacity building agency that work with organisations, to make sense of, build the capacity to act on, and take a stance on issues that matter including environmental sustainability and social justice. See more at: www.kiteinsights.com

people moving within their countries of origin, driven by economic need – to improve conditions and access to social protections. Increasingly, they are working with businesses to engage with informal workers in their value chains, including migrants, to do the same. These businesses are seeing real value – not only in mitigating reputational and regulatory risks, but in increased productivity, access to finance, investment and talent.

Informed by interviews with over thirty individuals in the private sector, financial institutions, civil society organisations, trade unions and research institutions, and complemented with extensive desk research, this report responds to an observed need. To inform business practice regionally and globally, it seeks to better articulate the challenges being faced by informal workers, including internal migrants. It articulates the risks and opportunities faced by businesses that rely on these groups as significant stakeholders in their value chains. It explains why now is the time to address these challenges and seeks to raise awareness of policies and practices businesses can adopt for, and with, informal workers and migrants.

Glossary of frequently used terms

(CLIMATE) ADAPTATION

The process of adjustment to actual or expected climate change and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. One example includes small farmers in Costa Rica who are developing climate-smart and resilient methods to adapt to floods and droughts, improving water and food security.

ESG

'Environmental, Social, and (Corporate) Governance'. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. ESG metrics are not commonly part of mandatory financial reporting, though companies are increasingly making disclosures in their annual report or in a standalone sustainability report and investors are increasingly expecting to see such disclosures.

HUMAN RIGHTS

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more.

INFORMAL WORKERS

According to the ILO, informal workers are those in remunerative work (i.e. both self-employment and wage employment) that is not registered, regulated, or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. Most informal workers do not have secure employment contracts, workers' benefits, social protection, or workers' representation.

INTERNAL MIGRANTS

An internal migrant is a person whose place of work is different from his/ her last usual place of residence. Internal migrants are further classified as intra-district/inter-district/intra-state/inter-state migrants. They only move within domestic borders of the country.

JUST TRANSITION

The International Labor Organisation defines the Just Transition **"as greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind."** Broadly, it concerns the social impacts of the green transition.

SEASONAL MIGRANTS

Seasonal migrants are those who migrate for a short period of 6-8 months to earn income.

SOCIAL PROTECTION

The Asian Development Bank (ADB) defines social protection as a "set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income". The term is often used to describe social security schemes and benefits that address particular vulnerabilities of individuals and households.

WHY WORKERS MUST BE A FOCUS
FOR BUSINESS TODAY

Businesses face a raft of high expectations and urgent challenges today, amid a turbulent economy and significant pressure to address climate change and other environmental issues. With many companies having already taken steps to establish human rights policies and due diligence processes in their value chains, going further may not feel like a top issue today.

Yet a series of political, economic, social and environmental mega-trends mean that the experiences and vulnerabilities of workers will rapidly be at the top of leadership agendas in many industries. New standards and regulations are creating far greater requirements for business to understand and act responsibly through their whole value chains, while increasing transparency makes reputational risk higher than ever. Businesses that are responding to the needs of workers, including at the bottom of the value chain, see returns in talent retention and access to markets and finance. Those that don't respond face reputational risks, operational continuity risk and potential compliance failures.

Larger trends like growing climate impacts in South Asia will make this issue even more profound for companies as migration and challenging conditions increase. However, informal workers can play a crucial role in climate action, and placing such workers at the centre of sustainability is critical to a just transition.

WHY WORKERS MUST BE A FOCUS FOR BUSINESS TODAY

In this section you will read about:

The reasons why informal work is likely to be a feature of your value chain,

How a series of changes in regulation and financial markets will soon make the "S" of ESG a more material issue for many organisations,

Why workers' welfare and rights remain a major source of reputational and legal risk for companies,

How companies rely on informal work to fulfil critical roles in their value chains,

The ways in which the climate and nature crises are likely to exacerbate the challenges and risks faced by companies when it comes to workers.

This report is particularly relevant to businesses with these workforce and value chain structures:

MANUFACTURING AND LONG SUPPLY CHAINS

Businesses in sectors like electronics, garments & textiles and other manufacturing that have long value chains in which informal work and internal migrants are likely to feature.

TEMPORARY OR HIGH-ROTATION WORKFORCES

Businesses in sectors like construction or digital platforms that rely on temporary workers, often from contractors, or have high turnover of staff.
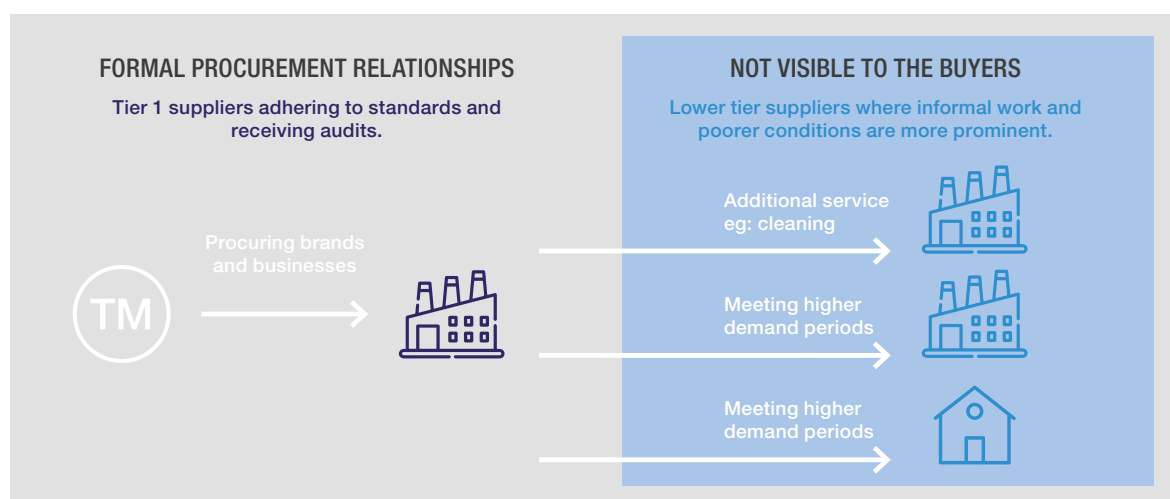
Informal work is a feature of your value chain

Informal workers make up about 61% of the global labour force, according to the International Labour Organisation (ILO). In South and Southeast Asia, the proportion is even higher.[2] These workers almost always earn less than people in formal work, are more vulnerable to a range of human and worker rights violations, and struggle to access state protection. The massive reputational and regulatory risks associated with informal workers have led international firms to invest in formalising contracts and improving work conditions when they source from or manufacture in the region.

However, to date, the actions taken by companies are most often limited to Tier 1 suppliers that hold contracts directly with sourcing companies. The same is often true of locally based companies, who apply standards to direct contractors, but not to sub-contractors. Even where companies have established visibility deeper into their value chains, it's very rare that they reach the "end", i.e. the most distant tier of workers.

The employment of informal workers is prevalent across the value chains of key sectors. In some industries such

› **FIGURE 1** **How informal work can appear in manufacturing value chains**

FORMAL PROCUREMENT RELATIONSHIPS	NOT VISIBLE TO THE BUYERS
Tier 1 suppliers adhering to standards and receiving audits.	Lower tier suppliers where informal work and poorer conditions are more prominent.

Procuring brands and businesses

Additional service eg: cleaning

Meeting higher demand periods

Meeting higher demand periods

as construction, the participation of informal workers is immediately visible. In others, such as clothing and electronics manufacturing, it is prevalent but less visible. When demand is high, factories may sub-contract significant portions of work to factories and other contractors with a high prevalence of informal labour. Even in times of regular demand, informal labour features prominently in tier 3 and 4 parts of major value chains – like the companies that wash fabrics for garments, or that produce materials that go into electronics.

While the common perception is that informal labour serves domestic markets, not international brands, investigations and research show that this is not the case. In an eight-month study spanning several South and Southeast Asian countries, an analysis of over 32,000 orders from 226 factories delivered to 30 buyers including major international brands, unauthorised subcontracting was found in 36.4% of orders.[3] The same study found that certain factors like the lead time of production and the nature of products make unauthorised sub-contracting more or less likely.

While not visible or accounted for in many value chain management practices, closer scrutiny will reveal to

"Over time big factories become assemblies. Much of the work, like sewing buttons, seams, etc., takes place outside of these factories in small enterprises and individual households where informal work is more prominent."

Rakesh Ranjan | South Asia Regional Coordinator, Institute for Human Rights and Business

many businesses that informal work is a feature of their value chain. With the majority of work in most South and Southeast Asian countries being informal, this systemic issue is not something that businesses are likely to be able to avoid. Instead, leaders and experts we spoke with suggested, they will need to adopt new, more collaborative and holistic approaches to supporting worker wellbeing, while also supporting longer-term, systemic change.

"The leverage that companies enjoy in Tier 1 of their supply chains simply doesn't exist once you go further upstream. They'll need to find new ways to engage that are different from today's compliance and audit models."

Richa Mittal | Executive Vice President and Chief Innovation Officer, Fair Labor Association

› **The Rana Plaza building collapse in Dhaka, Bangladesh, on April 24, 2013.**
(Zakir Hossain Chowdhury/Anadolu Agency/Getty Images)

Discovering hidden depths

Following the 2013 Rana Plaza disaster in Dhaka, Bangladesh—where a worksite collapse killed hundreds of workers— several international brands faced scrutiny. These brands had claimed no sourcing relationships with the factories, yet garments bearing their labels were found inside. While some brands did hold direct relationships with the local companies operating the factories, others did not know that certain processes had been outsourced to these facilities outside of their procurement and sourcing due diligence processes.[4]

INFORMAL WORK IS BEING UNDERTAKEN BY INTERNAL MIGRANTS

Research by the ILO, the Institute of Development Studies (IDS) and Overseas Development Institute (ODI) data demonstrates that internal migrants represent significant proportions of informal workers in sectors including construction, garments, electronics and other manufacturing industries of many countries in Asia.[5]

Increasingly, there is also a high prevalence of internal migrants providing services such as food delivery and logistics on digital platforms.[6] Though in some countries laws have recognised platform workers as belonging to a third category that is neither "formal" nor "informal" employment, they have been shown to experience many of the same challenges as informal workers.

As discussed in detail in the second part of this report, internal migrants – often moving for economic opportunity – face distinct challenges and dynamics that make them more vulnerable to hardships and abuse. As businesses look deeper into their value chains, they will likely find many internal migrants. Understanding the unique experiences and challenges of these groups will help businesses to identify and mitigate risks and build effective social and environmental sustainability responses.

BOX 2

Supply chain risks associated with internal migrants

Internal migration occurs for a range of economic, social, environment and political reasons. Significant numbers of internal migrants, particularly moving to rural areas, find themselves working in the value chains of businesses. This can create various supply chain risks for companies including:

LABOUR CHALLENGES
Migration can result in labour shortages in some areas and result in higher turnover when migrants continue to move due to instability in living conditions, lack of community ties, or pursuit of better opportunities elsewhere. This can increase training and onboarding costs, reduce productivity, and lead to quality control issues.

SUPPLY CHAIN DISRUPTION
Increased migration can create pressure on resources like housing and public services, which can affect companies' operations and workers ability to participate in the workforce.

SOCIAL RISKS
Migrant workers are often more vulnerable to exploitation due to lack of legal protections, language barriers, or lack of social networks. This can expose businesses to reputational risks and legal challenges. Migrant populations may face challenges in accessing healthcare and safe living conditions, increasing the risk of health and safety issues in the workforce.

Businesses can mitigate these risks by building awareness of the challenges that migrants face, by working to reduce drivers that force people into migration, and ensuring those that choose to migrate can access dignified and fair work.

A series of drivers mean companies must look deeper in their value chains

THE NEXT WAVE OF POLICY, REGULATION AND STANDARDS IS FOCUSED ON SOCIAL CONCERNS

Preparing for the growth of "social" in standards and regulation makes business sense

To date, businesses have spent significant time and resources[7] on new, complex environmental reporting standards, frameworks and regulations like the CSRD, the Task Force on Climate-Related Financial Disclosures (TCFD) and Task Force on Nature-Related Financial Disclosures (TNFD). For most businesses, the most challenging aspect of these new developments are the greater expectations associated with their value chain – in climate action, known as "Scope 3". This requires businesses to capture (and sometimes audit) the impact and actions of a complex and often multi-layered set of suppliers and partners.

The next wave of regulations and standards, which has already started to rise, are focused on social, and socio-economic challenges. The EU's Corporate Sustainability Reporting Directive, for example, includes significant obligations to monitor and report on human rights matters in value chains. Meanwhile, the recently launched Taskforce on Inequality and Social-related Financial Disclosures (TISFD) will eventually create a similarly comprehensive set of standards to the TCFD on social topics, which will become a driving force in international finance and investing.

Businesses can reasonably expect at least as much difficulty – both from a delivery and resourcing perspective – as the "S" component of ESG regulations matures. Unless they act today to incorporate social considerations into those systems and strategies, businesses are at greater risk of discovering significant compliance issues, with reputational and legal risk attached. Compliance aside, business leaders risk having to repeat their rushed and expensive efforts in ramping up environmental monitoring and reporting as the next wave of social-focused regulations arrives.

> "From now on there is no looking back. The companies and banks will be compelled to move in the direction of integrating ESG in their businesses and engaging with the communities."

Upendra Poudyal | Regional Representative for Asia Pacific, Global Alliance for Banking on Values

BOX 3

The growing world of "S" related regulations and standards

A range of national, regional and international standards, frameworks and regulations are rapidly changing the obligations and expectations of business when it comes to their value chains. *While earlier efforts have been focused on emissions, now, attention is turning to workers and communities too.*

THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS (UNGPS)

These are a set of guidelines for states and companies to prevent, address, and remedy human rights abuses committed in business operations. Endorsed by the UN Human Rights Council in 2011, the principles are built on three pillars: the state duty to protect human rights, the corporate responsibility to respect human rights, and access to remedy for victims of business-related abuses.

ILO DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

Originally adopted in 1998, the ILO Declaration sets out the fundamental principles and rights of people at work. With the decision in 2022 to include a safe and healthy working environment, the ILO Declaration now includes five categories: 1, the elimination of all forms of forced or compulsory labour; 2, the effective abolition of child labour; 3, freedom of association and the effective recognition of the right to collective bargaining; 4, the elimination of discrimination in respect of employment and occupation; and 5, a safe and healthy working environment.

THE EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

Effective from January 2024, it requires large companies operating in the EU to provide detailed annual reports on their sustainability practices. This includes their environmental impact, social and employee-related matters, human rights, and anti-corruption efforts. At the time of writing, the CSRD and CSDDD are likely to be altered as part of the EU's "simplification revolution".

EUROPEAN COMMISSION CORPORATE SUSTAINABILITY DUE DILIGENCE (CSDDD)

This directive, finalized in December 2023, mandates businesses with at least 500 employees and annual turnovers of €150 million to implement due diligence and risk management systems. It requires addressing and eradicating adverse impacts in their supply chains, including human rights and environmental violations.

GERMANY'S SUPPLY CHAIN DUE DILIGENCE ACT (LKSG)

Effective from January 2023, this act requires companies to ensure their supply chains are free from human rights and environmental violations. Companies must implement rigorous measures to enforce compliance among suppliers, with severe penalties for violations, including fines and exclusion from government contracts.

INDIA'S BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING (BRSR)

Introduced by the Securities and Exchange Board of India (SEBI), the BRSR is a mandatory reporting framework for the top 1,000 listed companies by market capitalization in India, effective from fiscal year 2022-2023. It requires companies to disclose their environmental, social, and governance (ESG) practices and performance. The BRSR consists of 140 questions, including 98 essential (mandatory) and 42 leadership (voluntary) indicators, covering nine principles derived from the National Guidelines for Responsible Business Conduct. Key areas include environmental protection, human rights, employee well-being, and sustainable business practices. This framework aims to enhance transparency, promote sustainable development, and align Indian corporate reporting with global sustainability standards.

CANADA'S "FIGHTING AGAINST FORCED LABOR AND CHILD LABOR IN SUPPLY CHAINS ACT"

Effective from 2023, it mandates large corporations operating in Canada to disclose their efforts in preventing forced labor and child labor within their supply chains. Companies must report annually on their risk assessments, auditing processes, and corrective actions. The Act requires verification and certification from suppliers, internal accountability measures, and training for employees to mitigate these risks.

SOUTH KOREAN ACT ON HUMAN RIGHTS AND ENVIRONMENTAL PROTECTION FOR SUSTAINABLE BUSINESS MANAGEMENT

This proposed act is set to be among the first mandatory human rights and environmental due diligence legislation in Asia. It requires companies with 500 or more employees or annual revenues of at least 200 billion KRW to conduct due diligence on human rights and environmental impacts within their supply chains. It mandates the establishment of systems to identify, assess, manage, and disclose these risks, with annual reporting to a dedicated committee.

THE NORWEGIAN TRANSPARENCY ACT

Effective from July 1, 2022, this act requires large enterprises in Norway and foreign companies offering goods or services in Norway to conduct due diligence on human rights and working conditions in their operations and supply chains. It mandates companies to publish annual reports on their due diligence efforts, including risk assessments and actions taken. The Act also grants individuals the right to request information on how companies address these issues, with companies required to respond within three weeks.

BOX 4

Two major components of the EU Omnibus are transforming businesses' obligations towards transparency in their value chains.

The EU's CSRD and CSDDD have been hailed as game-changers for global business, including many headquartered outside of the political block.

Since their initial announcements, the EU have announced plans to simplify these regulations via an "Omnibus" which combines them with other related regulations. This process is on-going and will likely remove some of the requirements and reduce number of companies to which the regulations apply. Even still, the rules and requirements they put in place will represent a significant change in expectations for affected companies.[8]

For large companies based or operating in Europe, over the coming years, they will increasingly be expected to take a more proactive and evidence driven approach to addressing human rights impacts in their operations and supply chains. This will include mandatory requirements to identify, prevent and mitigate adverse effects from their activities, and to report on the steps taken. Non-compliance is likely to result in legal and financial consequences.

Businesses will have to create visibility through their entire value chains

For businesses, a plethora of national and international standards, frameworks, regulations and laws are transforming their obligations when it comes to their value chains and social impact. Increasingly, focusing only on direct employees (or operations) and Tier 1 suppliers will no longer be an option. Instead, companies will be expected to trace where their products come from and who makes them in far greater detail. The upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD) will mostly affect EU-headquartered companies initially, but companies in South and Southeast Asia will likely receive requests for information from the EU-headquartered firms they work with. Regarding the CSDDD, though notably before simplifications to the regulation via the EU Omnibus were announced which may change this, experts concluded "*businesses should expect that they will have to map out their entire supply chain.*" If social regulations follow a similar path toward requiring social data in "product passports", businesses may also be expected to provide information like the wages paid to produce an item, the contractual relationship to the workers involved, and other factors.

These incoming standards extend beyond strict human rights violations: they also concern the conditions workers find themselves in, their pay, support of a Just Transition and other "welfare" issues, reflecting a wider shift in expectation towards responsible business that actively supports communities they operate in. (The core labour rights of freedom from forced labour, freedom from child labour, freedom from discrimination at work, freedom to form and

join a union – and, since 2022,[9] occupational health and safety – remain a key component of the "S" of ESG reporting.)

All available evidence suggests that many businesses will discover significant amounts of informal work being conducted by vulnerable groups as they dig deeper. With such widespread presence of these factors, businesses will have to acknowledge and address issues they find, moving away from previous "cut and run" models. For businesses, these changes mean they will need to develop robust systems to trace and document their entire value chains. This will involve investing in new technologies and processes for value chain management and data collection. Companies will also need to establish closer relationships with suppliers to resolve issues that are discovered in a collaborative way.

Legal liability ups the ante for businesses and leaders

The growing sustainability regulation space has other implications for business. Civil society organisations and groups are increasingly taking companies to court for environmental and human rights breaches, such as a recent case taken up by Oxfam, Friends of the Earth and Notre Affaire à Tous against the French energy firm Total for human rights abuses in Yemen.

The frequency of such cases, and their implications for business leaders as individuals, is set to grow: Many of the regulations listed in Box 3 include provisions that company directors can be held personally liable for failing to comply with due diligence obligations regarding human rights and environmental impacts in their value chains.

ACCESS TO FINANCE AND INVESTMENT IS INCREASINGLY TIED TO IMPROVED SOCIAL PERFORMANCE

ESG-guided investment is now the norm

In 2024, the majority of professionally managed assets globally had some form of ESG mandate or integration, according to Deloitte.[10] While challenges remain in the inconsistency of methodologies and data used by different ESG rating companies, a growing number of studies demonstrate that companies with higher ESG scores are positively and significantly associated with firm value and returns.[11] Kroll's study found that, globally, ESG leaders earned an average annual return of 12.9%, compared to an average 8.6% annual return earned by laggard companies – a 50% premium.[12]
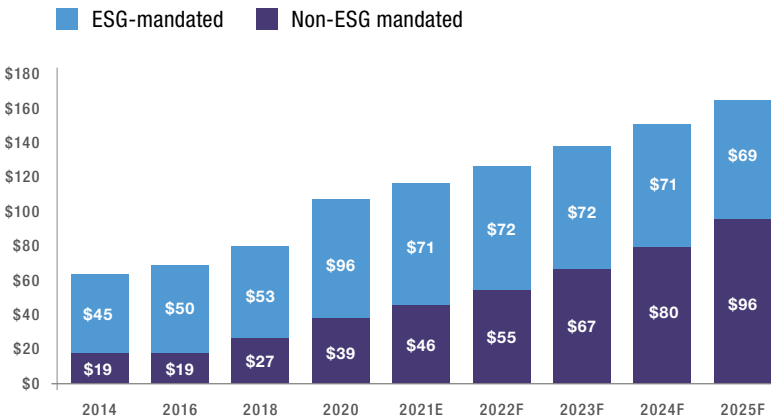
These trends are now global. Many businesses operate in global markets, or with brands and buyers that are part of them, where adherence to ESG criteria is

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"In the last 5 years, there has been a lot of pressure to have more visibility on supply chains. From investors, ratings, rankings – there is a huge boost of questions across the 'S'."

Social impact leader of a major fashion brand

> **FIGURE 2 ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024.** (Global assets under professional management - $T USD | Source: Deloitte Insights).

Legend: ESG-mandated | Non-ESG mandated

Year	Non-ESG mandated	ESG-mandated
2014	$19	$45
2016	$19	$50
2018	$27	$53
2020	$39	$96
2021E	$46	$71
2022F	$55	$72
2023F	$67	$72
2024F	$80	$71
2025F	$96	$69

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"[The S of ESG] does matter. There is a business case beyond compliance, as all ESG improvements attract a lower cost of capital."

Gayatri Divecha | Head – Sustainability and Social Responsibility, Godrej Industries Group

increasingly scrutinized. Aligning with these standards not only ensures compliance but also opens up new market opportunities. Local banks and investors are also playing increased attention as evidence of superior performance and risk mitigation from ESG investing appears. In Asian markets, for example, companies are increasingly being asked by local and international investors to improve labour practices.[13]

Standards governing the "S" of ESG investing are expanding

Businesses, financial institutions and investors are also experiencing an uptick in regulation concerning ESG. For example, in the EU, the Sustainable Finance Disclosure Regulation (SFDR), which aims to prevent greenwashing in the sustainable investment market, categorises investment products based on sustainability and mandates specific disclosure obligations on investors and financial institutions. While the focus of standards and regulations to date has also been on environmental issues and select aspects of "S" like board diversity, a wider set of social issues including workers are likely to come next.

Notably, the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) launched in 2023. The taskforce is driven by members like the United Nations Development Programme, the International Labour Organization, and other international organisations and private-sector companies. It will eventually create a similarly comprehensive set of voluntary standards on social topics. These standards will become a driving force in international finance and investing as banks and investors integrate them into mandatory disclosure regulations.

Other voluntary metrics used by ESG investors are also increasingly incorporating greater considerations and detail on "S" components. In 2023, the Global Reporting Initiative – one of the most popular frameworks - introduced a draft of new standards that include metrics for a company's engagement with workforces in the context of the Just Transition.[14] Suggested metrics include the numbers of jobs created and eliminated as a result of the organisation's climate transition plans, training delivered to employees to support transition plans, and locations where organisations' transition plans have impacts on local communities and Indigenous peoples.

The United Nations Principles for Responsible Investment initiative's Regulation Database is a helpful resource for organisations seeking to understand how ESG regulation, including on the "S", is evolving.

Development and climate finance are increasingly incorporating a social lens

Growing interest in the "S" of ESG is not confined to private finance. Informality remains a key concern of the ILO's Decent Work Agenda and the 2030 Agenda for Sustainable Development (the informality rate is part of the indicators selected to measure progress towards the Sustainable Development Goals, as SDG indicator 8.3.1).

Today, particularly in industries like construction, companies driving the development boom in South and Southeast Asian countries often rely on funding from international development finance institutions like the International Finance Corporation (IFC). Larger infrastructure projects, too, are financed by the World Bank and other global financial institutions that are applying increasingly stringent social and environmental requirements on investee companies and supported projects through their Performance Standards. For example, the World Bank's labour and working conditions standards call for borrowers to ensure that contracted labour is "legitimate and reliable" through information such as public records and enrolment in legally required benefits programmes.

Worker rights issues continue to pose a significant reputational risk for companies

CONSUMERS PAY MORE ATTENTION TO PEOPLE THAN PLANET

Consumers around the world are now more informed than ever about how products are made, and by whom. Increasingly, consumers view human rights and worker welfare as an essential aspect of product quality and make purchasing decisions accordingly.

Indeed, studies have shown that while environmental sustainability remains a critical concern, consumers often exhibit a more immediate and tangible response to social sustainability issues. A 2023 study conducted by the International Housewares Association, which serves more than 40 countries, found that a majority of consumers (82%) said how brands treat employees most impacts their purchase decisions, followed by development of sustainable products (70%) and environmental stewardship (66%).[15] Academic studies suggest this is because social issues in supply chains feel more immediate and concrete to consumers than environmental sustainability issues.[16]

Increasingly, consumers in Asia's domestic and developing markets are signalling that human rights and the environment are critical factors in purchasing decisions and brand loyalty. A 2022 survey of over 16,000 consumers in conducted by Bain & Company found the same proportion of socially and environmentally minded consumers in Asia-Pacific as in the US and Europe.[17] The same survey found that consumers in the region's fast-growing markets (China, India, Indonesia, Thailand, Malaysia, the Philippines, and Vietnam) were more conscious of

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"Companies have to look at human rights as a part of product quality. Just like quality is non-negotiable, so should workers experiences be."

Richa Mittal | Executive Vice President and Chief Innovation Officer, Fair Labor Association

› **FIGURE 3** **According to Bain & Company as many Asia-Pacific consumers are driven primarily by environmental and social concerns as in the US and Europe.** Source: Bain Asia-Pacific Environmental, Social and Corporate Governance Survey, January 2022.
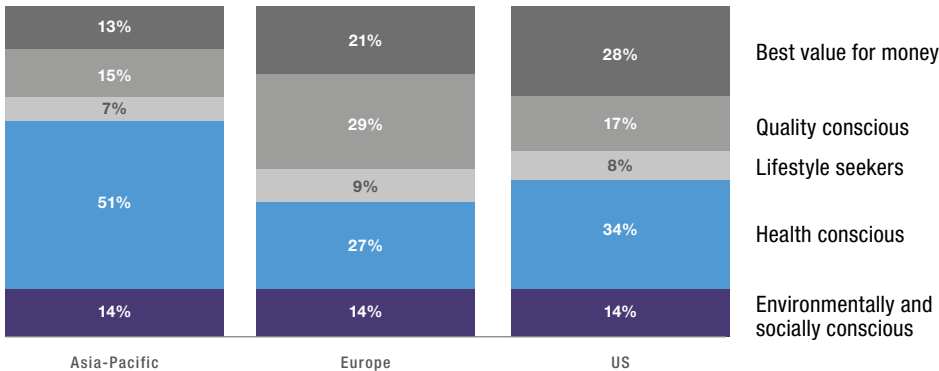
environmental and social factors than those in the more mature markets of Australia, Singapore, Japan, and South Korea.[18]

ORGANISATIONS THAT 'NAME AND SHAME' ARE PAYING INCREASED ATTENTION TO VALUE CHAINS

Technology and social media have increased the virality of news stories, which can reach millions across the world in mere hours. For example, a recent investigation by the BBC – which featured on their front online page and was featured in an alert sent to millions of phones - found child labour in the value chains of several luxury cosmetics brands, some of which denied knowledge of it. Companies can be called out by small groups of people, as well as large international news organisations and NGOs.

While many NGOs are today focused on operating as "critical friends", "naming and shaming" is still a key part of many activist strategies. Civil society organisations know that brand and reputational risk influence how businesses prioritise workers in their value chains. And they know that their actions work; brands that have been called out by NGOs are more likely to drive new actions in terms of supplier compliance and auditing in their value chains.[19]

These trends leave companies more vulnerable than ever to damaging criticism. Companies must be aware that they might face such reputational risk even for parts of their value chain 'invisible' to them, and for issues that may not previously have been seen as reputational risks.

Increased scrutiny is driving many companies to improve their worker engagement

SAMSUNG
Samsung has faced significant scrutiny and criticism over labour abuses and unsafe working conditions in its supply chain, particularly in China and Malaysia. This has led to increased efforts to implement stricter human rights policies and improve worker conditions.[20]

APPLE
Apple has been scrutinized for labour practices in its supply chain, particularly with its supplier Foxconn. This has led to increased efforts to improve working conditions and labour rights through audits and responsibility programs, including by joining the Fair Labor Association.[21]

NIKE
Nike experienced public outrage and boycotts over reports of sweatshop conditions in its factories. This led to the company adopting comprehensive labour standards and transparency initiatives to ensure better working conditions.[22]

H&M
H&M has faced criticism for labour rights abuses in its supply chain. This has resulted in the company enhancing its commitment to fair wages, safe working conditions, and sustainable practices through various corporate social responsibility.[23]

Companies rely on workers for talent and resilience

INFORMAL WORKERS ARE AN EMERGING TALENT BATTLEGROUND

The Covid-19 pandemic drove an awakening of the role of internal migrants in many Asian economies.[24] As work stopped, many people who had moved for work found themselves without access to social protection or alternative income, driving many to return home. Once cities and regions began to reopen, many businesses struggled to find people to fill positions as so many workers had left, resulting in temporary closures and an on-going struggle to meet demand. One assessment of apparel and electronics companies in Vietnam found that, as of September 2022, 44% of businesses in these industries were still experiencing labour shortages.[25]

Businesses are increasingly seeing the need to attract and retain skilled and experienced informal workers in their value chains. Particularly in gig economy sectors like ride-hailing and delivery services, some experienced workers are highly sought after, prompting businesses to offer better terms and conditions to secure their services (though note most workers in the industry receive very low wages).[26] In construction, garments and electronics sectors, too, procurement and contracting leaders are increasingly recognising that they can attract more effective "secondary" workforces when they have policies and practices that provide value to workers in their wider value chain.

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"We're keen to be the most preferred platform for people seeking to earn through deliveries. We're working on initiatives to support multiple dimensions of their wellbeing – financial, physical, mental, social and professional wellbeing."

Anjalli Ravi Kumar | Chief Sustainability Officer, Zomato

"

"Since we have started doing [social protection] schemes – retention has increased on some sites"

Gayatri Divecha | Head – Sustainability and Social Responsibility, Godrej Industries Group

CASE STUDY 1

Larsen & Toubro India's response to worker needs during Covid-19

Larsen & Toubro is a leading construction company with significant operations in India. Like other construction companies in the region, a significant proportion of workers on their sites are sub-contracted workers that are not formal employees.

Before the Covid-19 pandemic the sub-contracted labour force working at L&T project sites in India was around 225,000. At the beginning of lockdowns, the workforce dropped to 160,000, and dropped even further as restrictions persisted and many workers who had migrated for their jobs returned home. They saw that workers that remained at sites needed support. And, as restrictions were gradually lifted, the decline in available workers left the company in a precarious position.

The company established a series of programmes to support the contractor workforce in the immediate and longer-term:[27]

- During the early stages of the pandemic, they partnered with the NGO Pratham Mumbai Education initiative to launch the Mumbai Food Project, which set up temporary food camps and distribution zones across Mumbai, serving over 7,000 pre-packaged meals and essential supplies to daily wage earners and migrant workers.

- Leveraging already-established programmes that provided access to education and healthcare services for workers on their campuses, they also expanded these during the pandemic.

- L&T developed and launched a range of skills-building courses for contract workers including computer skills and paramedic training. They also established specific courses for women, which helped families to diversify their earning.

- They partnered with the Seva Sahyog foundation to provide education and support services to migrants that had returned home and eventually, where they wanted to, to come back to work.

- As a result of these efforts, L&T reported they were able to resume projects faster than many other firms. The support they provided during the pandemic was critical to the welfare of **thousands** of families. Some workers that have participated in their trainings have gone on to get jobs in other sectors, earning more, and they have a stronger relationship with their contractor workforce.[28]

TRAINING AND OTHER SUPPORT FOR INFORMAL WORKERS BRING BUSINESS BENEFITS

Significant investments made by companies in skill training for informal workers – such as Asian Paints' Colour Academy – are increasing the experience and skills people who are not part of their workforces. To Asian Paints, this is not a waste of resources but an investment in reputation: once trained, many of these informal workers become advocates for their products in future work for other contractors and clients. These workers' views are given more weight when accompanied by their high-quality work, thanks to the training they received.

More generally, research by the International Monetary Fund suggests that businesses that support better conditions for informal workers in their value chains see a range of business benefits. These include, for example, higher quality outputs, more productivity and lower workforce turnover.[29]

CASE STUDY 2

Asian Paints – Colour Academy

Asian Paints' "Colour Academy" is an initiative offering skill development and training programmes in order to enhance the employability of informal workers, including internal migrants. Delivered through centres across India, the academy upskills workers in new techniques and tools, and improves the technical skills and theoretical knowledge of painters and contractors through hands on training. The academy has had a significant impact for workers by enhancing their earning potential and for Asian Paints by creating brand ambassadors, all while raising the overall standards and quality in the market.

"Understanding and addressing the vulnerabilities of migrant and informal workers can improve satisfaction and productivity. When workers feel valued and protected, they are more engaged and motivated, directly benefiting business operations."

Neill Wilkins | Head of Migrant Workers Programme, Institute for Human Rights and Business

"Our business is a tech-enabled logistics business. Technology solves some of it, but we are people dependent. Our workers have a choice of which platform or industry to work with. We have to contain costs and one way of doing that is by creating loyalty with riders rather than continuous onboarding of new riders. Certain benefits can help us drive this if they are well designed."

Anjalli Ravi Kumar | Chief Sustainability Officer, Zomato

The climate and nature crises are likely to increase pressures on workers
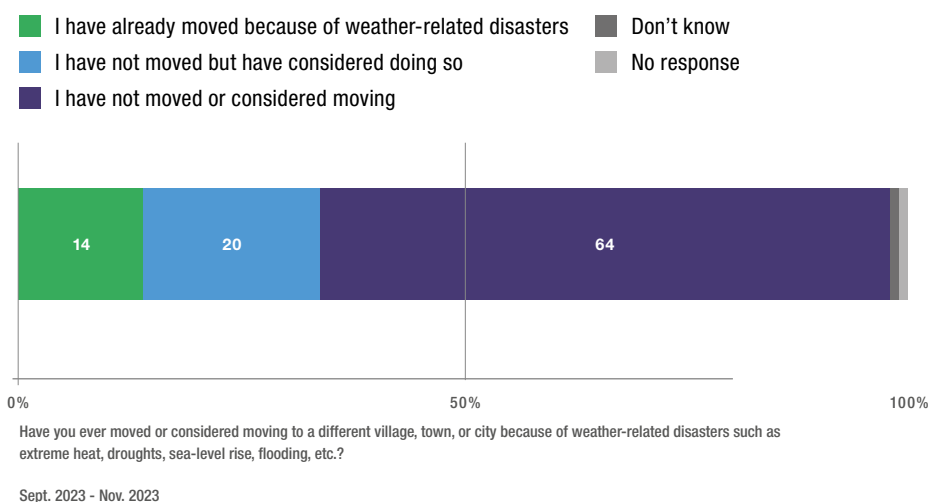
CLIMATE CHANGE AND ECOSYSTEM DEGRADATION WILL DRIVE SIGNIFICANT INTERNAL MIGRATION

Climate-fuelled disasters were the number one driver of internal displacement between 2009 and 2019. Around 20 million people per year had to leave their homes—80 percent of them in Asia. People were also three times more likely to be internally displaced by cyclones, floods, and wildfires than by conflict.[30] These numbers are likely to increase as climate impacts

worsen - a 2018 study by the World Bank estimated that up to 40 million people will be internally displaced in South Asia due to climate change by 2050.[31] In Bangladesh alone, it has been estimated that by 2050, one in every seven people will be displaced by climate change.[32] In India, more than 1 in 10 already have.[33]

This unprecedented movement of people will result in many more internal migrants, large proportions of whom may find themselves in informal work or, worse, without work and with very limited support from the state or other actors. Indeed, a study of three cities in Zimbabwe and India found that, in Zimbabwe,

> **FIGURE 4** **In 2023, about one in three people in India had moved or considered moving because of weather-related disasters.** Source: Climate change in the Indian mind.

- 🟩 I have already moved because of weather-related disasters
- 🟦 I have not moved but have considered doing so
- 🟪 I have not moved or considered moving
- ⬛ Don't know
- ⬜ No response

| 14 | 20 | 64 | |

0%   50%   100%

Have you ever moved or considered moving to a different village, town, or city because of weather-related disasters such as extreme heat, droughts, sea-level rise, flooding, etc.?

Sept. 2023 - Nov. 2023

Up to 40 million people will be internally displaced in South Asia due to climate change by 2050.

the share of informal employment in relation to total employment increased from 84% in 2011 to as much as 94% in 2014, suggesting a growth in informal work partly driven by economic and climate-related stressors.[34] While internal migration will increase, there is also a risk that informality increases as formal employment opportunities decline, partly due to climate-related challenges.

This increase in migration and informal work among migrants will place pressure on states, particular in cities where many are likely to move. Residents may perceive challenges from climate migrants for jobs, land, housing, and services, which may lead to reduced social cohesion.[35]

Companies will face disruption because of these trends, but can also be important providers of stability while themselves benefiting by providing dignified, safe and fairly paid work to individuals displaced by climate change and other environmental impacts.

INFORMAL WORKERS HAVE AN IMPORTANT ROLE TO PLAY IN CLIMATE ACTION

Informal workers will be key actors in realising the emission reduction and wider environmental goals of many companies. In construction, for example, new building methods and materials will be critical components of emissions reductions. In garment manufacturing, too, new processes and materials – including much more work with recycled clothing – will be a feature of any sustainable future. Informal workers will need to be upskilled and supported to adopt these new approaches.

While informal workers will play an enabling role in the sustainability transition, they are just as likely to suffer negative consequences. Physical climate impacts as well as shifts in available jobs as companies change or scale down certain unsustainable practices are likely to lead in loss of work for people in informal work. The economic impact of these losses will be profound given the lack of social safety nets and support available to these workers today.

Like other aspects of the "S" of ESG, direct connections between climate and other environmental action with social impacts are also being recognized in standards and regulation. The Global Reporting Initiative, for example, will soon publish an updated set of guidance with a range of Just Transition metrics. These will include multiple ways for organisations to disclose their impacts on workers, local communities, and other vulnerable groups associated with climate transition and adaptation plans, the use of greenhouse gas (GHG) removals, and carbon credits.

"The just transition needs to take the needs of informal economy workers into account. We need to talk about universal social protection, their transition to formal economies and, most of all, a seat for them at the table where these decisions are being taken."

Janhavi Dave | International coordinator, HomeNet International

In this section you will read about:

The presence of informal workers and internal migrants in key sectors in South & Southeast Asia.

The challenges that informal workers face in their day-to-day lives and what drives them.

UNDERSTANDING INFORMAL WORKERS
AND THEIR EXPERIENCES

Informal workers make up significant proportions of workers in the value chains of global and regional businesses operating in South and Southeast Asia, particularly in manufacturing and service industries such as garments, construction, electronics, and digital platforms. They often face challenges including low pay, poor conditions, and a lack of access to social protection. They are vital to the functioning of key industries in the region, but often overlooked.

Many people in informal work are also internal migrants – typically moving from rural to urban areas in search of economic opportunities. Internal migrants face distinct and at times compounding challenges, including being unable to access public services and social protection schemes. Understanding these unique dynamics experienced by many workers provides a powerful lens to businesses which can enable them to identify more effective interventions that improve conditions, reduce risks, and increase worker engagement and wellbeing.

The scale and state of informal work

Informal work represents the majority of employment in many countries in South and Southeast Asia, particularly in critical industries.

Across South and Southeast Asia, informal work is commonplace, representing eighty-five percent of jobs in rural areas and almost half of the employment (47%) in urban areas. Based on these proportions,


informal workers could represent as much as $5 trillion of the $6.8 trillion gross domestic product of Bangladesh, India, Indonesia, Nepal, the Philippines and Vietnam.

Informal work is common in agriculture, but also in cities, particularly in manufacturing industries like garments and electronics; a fast-growing and economically significant sector with a US$8 trillion value in Asia.[36] Between 78-82% of workers outside of agriculture in Bangladesh, Nepal, Indonesia, and India are in informal work, according to the International Labour Organization.[37]

In urban areas, higher proportions of informal workers are internal migrants due to trends including urbanisation, the growth of export-oriented manufacturing and climate change.[38] Some sectors like construction systematically rely on internal migrants, hired by contractors and sub-contractors.

› **FIGURE 5 Informal workers tend to make up a significant share of the total workforce in South and Southeast Asian countries.** Source: ILO. 2018. Women and Men in the Informal Economy: A statistical Picture
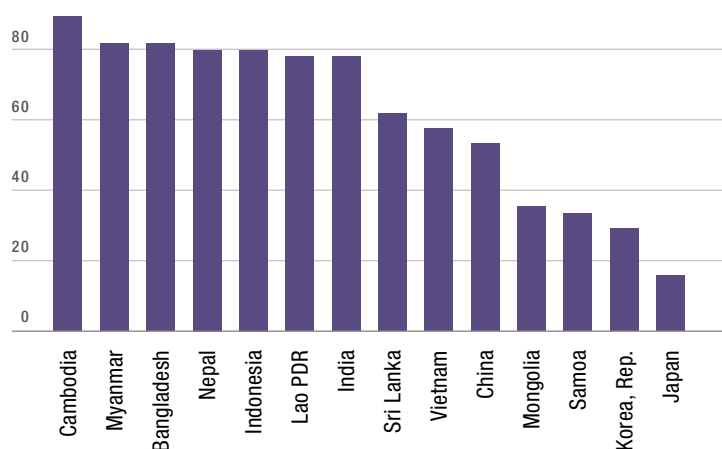
INFORMAL WORK AND INTERNAL MIGRATION IN KEY SECTORS
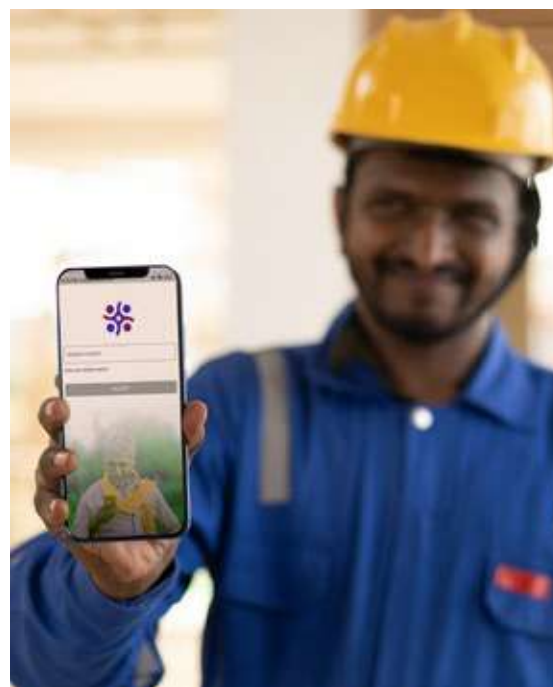
CONSTRUCTION

Informal work

Over 80% of the 71 million construction workers in India are informal.[39]

Almost all of Nepal's 2.5 million construction workers are informal.[40]

Internal migrants

In India, 36% of internal migrants are estimated to work in construction.[41]

In Nepal, 13% of internal migrants are estimated to work in construction.[42]

GARMENTS & TEXTILES

Informal work

In textile manufacturing, informal work accounts for as much as 95-96% of employment in Bangladesh, 90% in Nepal, 86% in India and 25% in Vietnam.[43,44]

Internal migrants

85% of workers in Bangladesh's Garments industry are internal migrants.[45]

As much as 50% of textile workers in India are internal migrants.[46]

MANUFACTURING

Informal work

In India, the share of informal workers in manufacturing is ~ 70% (2018-19).[47]

In Vietnam, 38% of the manufacturing workforce is informal (2019).[48]

In Indonesia, 38% of workers in the manufacturing sector were informal (2022).[49]

Internal migrants

15.9% of internal migrants in India, and 9.9% in Nepal, work in manufacturing.[50,51]

PLATFORM ECONOMY

Informal Workers

The OECD classifies most digital platform work in developing countries as informal.[52]

Internal migrants

Several studies have found that internal migrants are a significant portion of workers in the gig and platform economy in South and Southeast Asia.[53]

BOX 6

Worker experiences in the digital economy

It is estimated that in 2020-21, 7.7 million workers were engaged in the gig economy (both platform and non-platform-based work) in India; 2.6% of the non-agricultural workforce.[54] Other estimates are higher; suggesting 15 million are employed in the sector today.[55] In Indonesia, too, around four million people are employed in the transportation gig sector alone.[56] Large proportions of delivery workers in cities are internal migrants from other parts of their countries. Looking forward, the Asian digital platform workforce is expected to grow to 23.5 million workers by 2029-30.[57]

Regardless of whether they are considered to belong to the same legal category, research by the World Bank shows digital platform workers experience the same challenges as informal workers. This includes low and unstable pay, unsecure jobs and lack of access to social protections.[58] For example, a survey of Indian digital platform workers found only 0.15% had access to accident insurance.[59]

WHO FINDS THEMSELVES IN INFORMAL WORK?

Individuals who find themselves in informal work in South and South East Asia often belong to certain demographic groups that face significant barriers to entering the formal labour market.[60]

POVERTY AND ACCESS TO EDUCATION

Individuals with lower levels of education are more likely to engage in informal employment.[61] Individuals growing up in poorer families and areas are also more likely to find themselves in informal work.

AGE

Older individuals make up significant proportions of informal workers in South and Southeast Asia. Due to factors such as poverty, urbanisation and migration, a high proportion of elderly individuals are obliged to work within the informal economy for as long as they can. At the same time, due to economic pressures, many children and young people are also driven to take on informal work, depriving them of childhood and access to education.[62]

GENDER

The informal economy also has a higher proportion of women than men. Due to social norms and equalities, women often find themselves in lower paid and more precarious informal roles.[63] Migrant women also face gender-based violence and harassment throughout their migration journey and at destination.[64]

DISADVANTAGE AND DISCRIMINATION

Marginalized communities, such as people from oppressed castes in India as well as including ethnic minorities and migrants, face additional barriers to formal employment due to discrimination and lack of legal recognition. While in informal work, members of these groups can be subject to discrimination and social exclusion based on demographic factors such as their caste, ethnicity or tribe.[65] This is a particularly high risk in areas where migrants are perceived to be taking local jobs or otherwise negatively affecting the local economy.

GEOGRAPHY

Rural inhabitants frequently migrate to urban areas in search of better economic opportunities, only to find themselves in informal jobs in sectors like construction or digital platforms.[66]

Challenges faced by informal workers

Informal workers often experience severe human rights abuses and other injustices. Forced labour, child labour, poor working conditions, underpayment or non-payment of wages and other workers' rights violations are all more common in industries with higher rates of informal work. [67]

Stamping out these abuses has rightly been the focus of many civil society organisations and businesses when looking at their value chains. However, even when free of these abuses, individuals in informal work also suffer a range of disadvantages driven by the double burden of informality and low paid work. They face a greater probability of falling into poverty, and encounter greater health-related and old-age hardships.

The challenges that informal workers and internal migrants face do not occur in isolation, but are further exacerbated or influenced by other aspects of their identity and socio-economic situation.

A LACK OF SAFETY NETS TRAPS INFORMAL WORKERS IN PRECARIOUS LIVES

Research by the World Bank suggests that social protection programmes and policies can lower inequality and reduce the poverty gap by about 45%.[68,69] However, today, research shows that only tiny proportions of informal workers in South and Southeast Asia are able to access many social protection schemes.[70]

Without formal contracts, many informal workers cannot access state and private benefits available to formal workers like pensions, insurance, unemployment support and other services.[71] Complex administrative procedures discourage informal workers' access to state social protection schemes, while many are either unaware of them or sceptical of their effectiveness.[72,73]

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Social protection programmes and policies can lower inequality and reduce the poverty gap by about 45%.

World Bank

"

"Registration into social security is the next big thing in this development phase of Asia"

Aarti Kapoor | Executive Director, Embode

Available social protection programmes are also often ineffective for a range of reasons, from insufficient funding, to misalignment with people's needs.[74] For example, several minimum wage laws in South and Southeast Asian economies have been criticized for being far lower than the "true" living wage.[75]

Informal workers who are internal migrants have unique challenges to accessing safety nets and social protection.[76] Internal migrants often struggle to benefit from state-provided protection due to the non-portability of their identity across state boundaries or a lack of the right documentation.[77] Like others, they may have limited knowledge and awareness of these schemes, made more challenging when coupled with linguistic barriers.[78]

HUMAN STORY

Arif Supriyanto – A former factory worker in Indonesia

Arif Supriyanto, a father of two and husband to a household assistant, worked as a factory worker in Jakarta. His family in Central Java were landless agricultural labourers, struggling financially, which led Arif to migrate for better employment. Despite his efforts, his financial situation remained dire.

"I migrated to support the condition of my family in my village and pay for my younger siblings' education. However, I haven't been able to help my parents because the wages I earned in the city barely covered my own needs."

Over 26 years, Arif worked for multiple companies at extremely low wages, barely supporting his family. He faced wrongful termination for forming labour unions at various factories. In his last job at a printing and packaging company, he opposed a policy change from a contract to an apprenticeship system and was terminated without compensation.

"I was the only one who dared to reject the policy of changing the work system and status. As a consequence, the company fired me unilaterally without any compensation."

Arif now supports a labour union in Jakarta while seeking new employment, advocating for government measures to ensure job security and eliminate exploitative work systems.

HUMAN STORY

Eric Ydio – A construction worker in the Philippines

Eric Ydio, father of three, originally from Mangaldan, Pangasinan, faced hardships as a farmer and migrated to Quezon City, Manila. He moved to work as a daily wage labourer in the construction sector, earning PHP600 (USD 10) for over 9 hours of work, which barely covers his family's expenses. Eric's work is highly informal in nature, with him finding odd jobs and facing wage loss in between work assignments.

"Sometimes, I don't find work for more than 3-4 days; getting a construction job is very dependent on luck."

The uncertainty of Eric's work and lack of support from employers and the government severely impact his family. His partner, Jovelyn, works as a street vendor to supplement their income. Climate events, such as floods and heat, also affect his work.

"Sometimes I take shelter because it's too hot. I have to stop work, but I cannot stop directly because I will be called out by our employer. I need to go back and continue the work otherwise my wages could be deducted."

Eric's main motive from migration is to ensure that his children do not have to face the same hardships that he has in the past. He believes, for better working conditions, it is essential that there is a focus on increasing the minimum wage.

VULNERABILITY TO ECONOMIC AND SOCIAL RISKS

Informal employment has two broad tiers: The upper tier is composed of workers who are relatively productive and who enjoy higher earnings. The lower tier is composed of workers engaged in low-productivity, low-paying work, possibly due to a lack of skills but also due to the lack of opportunities elsewhere and, sometimes, to unfair remuneration practices.

Workers in this lower tier are particularly vulnerable to poverty and associated risks. Informal workers are twice as likely as formal workers to belong to poor households.[79] Associated risks encompass health hazards, depreciation or loss of productive assets, wages below the legal minimum, fluctuations due to market-related risks, and income insecurity during retirement.[80] Many of these risks are compounded by a lack of access to social protections. Though many local and national trade unions work hard to also represent the experiences of these workers, they often lack agency in negotiations compared to other groups and are rarely heard in industry conversations.

Internal migrants in informal work often have to work in poor conditions, live in insecure and temporary accommodation. They and their children do not always have access to state schooling and other social services. Because they are often far from their homes, they are likely to have less of a support network around them during times of difficulty. If they are remitting money to family members back home, they are even more economically vulnerable. They can also be regarded as 'illegal' or otherwise treated poorly by locals and local officials.

CLIMATE CHANGE MAKES INFORMAL WORK MORE DANGEROUS

The new era in which we live features increased climate uncertainty and volatility. Certain groups will feel this climate volatility "first and worst".[81] Extreme weather, other short-term climate shocks, and longer-term trends like lower crop productivity and drought, plus their consequences like greater risks of conflict and social tensions, render those in already precarious situations more vulnerable.[82]

Certain regions and countries are also on the front-line of the climate and nature crisis. Both South and Southeast Asia are highly vulnerable to the effects of climate change, from rising sea levels to higher average and extreme temperatures.[83] One major consequence of these trends is rapidly increasingly levels of internal migration.[84]

Combined, the most vulnerable people living in the most vulnerable regions, including informal workers, are at risk of being primary victims in a world increasingly affected by environmental challenges. Yet despite clear data on the need for **adaptation** and **resilience-building**, which help people and communities cope with climate and environmental change, many businesses are far earlier in their thinking on this topic than on emissions reduction and other forms of mitigation.[85]

HUMAN STORY

Suman Damae – a former farmer now working for daily wages in Kathmandu

Suman Damae, 29, migrated to Kathmandu over three years ago from Sindhupalchowk, driven by severe economic distress caused by agricultural losses. Before migrating, he worked as a farmer and took up odd jobs to supplement his income, but ongoing climate crises and agrarian distress depleted harvests, further reducing his wages.

"In the village, we were losing our crops to floods and landslides. Most of our fertile land is now barren."

Unable to support his family of six, Suman moved with his entire family - wife, children and parents - to Kathmandu with hopes of better job opportunities and education for his children. In the city, he works as a daily wage laborer in various sectors, including construction, cement, and steel industries. However, his situation remains dire. He earns less than five thousand Nepali rupees per month and lives in vulnerable conditions—a house made of corrugated sheets near the flood-prone Bagmati River.

Suman faces precarious working conditions: no job security, low wages, no paid leave, and no compensation for overtime. Floods frequently disrupt his ability to work, leading to wage losses, and his employer offers little to no support during these times. In such an adverse situation, Suman is relying on his community and non-profit organisations for support in coping with the stresses caused by weather related impacts or economic distress.

"We are not getting any help from the government. If the organisations were not here to help us, we would have died due to diseases and hunger."

Climate change will also have significant implications for the wellbeing of workers in many industries, particularly those who work outdoors or in facilities that are difficult to protect from rising heat. Pollution, heat stress and extreme weather events like floods hurt these workers' incomes, job stability, physical safety and well-being. A 2019 study by the International Labour Organisation found that heat stress is projected to reduce total working hours worldwide by 2.2 per cent and global GDP by US$2,400 billion in 2030.[86] These workers, many of whom are informal, will need more social protection in response, including sick pay and unemployment benefits.

"

"[Informal workers] are highly exposed to different kinds of environmental hazards. Those include climatic aspects like working in high heat, and things like negative impacts from pesticide use."

Pallavi Bhati | Programme Coordinator, Better Cotton

HUMAN STORY

Santhosh – a construction worker suffering the consequences of climate change

"I kept a candle outside my house at 9 AM in the morning and by 11 AM it had melted without even lighting it. That is how hot it is. And in this heat, we, construction workers are expected to work, like as though it is normal".

These are the words of Santhosh, a construction worker from Churu district of Rajasthan where temperatures soared to 55.5 C° (140 F°) in May 2024. Santhosh, who had been working in Jaipur city, was forced to return home after he suffered from severe heat stroke. At the time of the interview, Santhosh was taking more than 10 days to recover and not only had he lost out on daily wages but had to spend out-of-pocket on an expensive private health service.

CASE STUDY 3

Early warning systems helping outdoor workers respond to climate extremes

The Indian food delivery company Zomato – who onboard significant numbers of internal migrants as drivers – is investing in warning systems and support such as heat shelters in major Indian cities, in recognition of the growing impact of extreme climate events including heatwaves and heavy downpours, on its riders. The company has made the weather system it developed – Weather Union – freely available to other businesses and individuals. In addition to investing in Weather Union, Zomato has invested in physical infrastructure in major cities that can help riders deal with extreme weather, including heat shelters and rest points with clean drinking water, first aid and toilet access. To cater to emergencies that riders face on roads, including heat or weather-related, the company has a partnered with an emergency ambulance services provider that provides ambulances within a turnaround time of >15 minutes across 500 cities.

BUSINESS & WORKERS:
WHAT YOU CAN DO

Today, good practices are emerging to support informal workers and vulnerable groups like internal migrants. Companies in South and Southeast Asia are seeing significant value and reducing risk when they adopt these practices. There is clear evidence, outlined in this chapter, that business engagement can have a significant positive impact for both companies and workers. And, by connecting workers to state services, companies can improve outcomes without shouldering the cost alone.

From starting to better understand value chains and map out opportunities, to designing and delivering effective interventions, to measuring and reporting on the value created, domestic and international businesses can learn from the experiences and advice of the business leaders, experts, and practitioners consulted in this research. For global companies that source from the region, and investors, collaboration and coordination with suppliers and other partners is also an important muscle to build to deliver interventions.

BUSINESS & WORKERS: WHAT YOU CAN DO

In this section you will read about:

How businesses are engaging with workers and migrants today, and what's getting in the way.

How businesses can create the right conditions for greater and better engagement with workers in future, to their benefit and the benefit of workers and economies. These include:

- Establishing greater visibility of value chains through monitoring mechanisms.
- Creating the right connections between parts of the business to manage social risks.
- Informing leaders and functions about risks and opportunities associated with workers.
- Establishing social dialogues with members of your value chain.

Concrete programs and initiatives that businesses can instigate in their value chains and wider ecosystems that will have a tangible positive impact on worker's experiences, including:

- Facilitating and otherwise supporting greater access to social protections for workers.
- Providing for basic needs to ensure a more resilient and productive value chain.
- Engaging with suppliers and local partners to build shared approaches to workers.

Ways that businesses can support wider systemic change towards a better experience for workers and a more level playing field for companies, including:

- Adopting sectoral- and place-based approaches that can drive wider change, inc. partnerships
- Advocating to and engaging with governments to drive policy shifts.

How businesses can define and measure their progress in engaging with workers.

Different approaches for different businesses

Businesses with different workforce structures, often correlated to the industry they are in, may need to invest more or focus on different recommendations provided in this report.
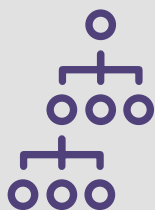
MANUFACTURING AND LONG SUPPLY CHAINS

Businesses in sectors like electronics, garments & textiles and other manufacturing are likely to need to invest more in establishing visibility, and in building relationships with a longer list of suppliers and partners in order to deliver programs to workers.

TEMPORARY OR HIGH-ROTATION WORKFORCES

Businesses in sectors like construction or digital platforms that rely on temporary workers, often from contractors, or have high turnover of staff may need to focus more on providing support at their facilities where they can reach workers. They can also build stronger relationships with contractors.

The state of business and workers today

For many companies, the UN Guiding Principles on Business and Human Rights have become the reference point for managing social risks in their value chains. As a result, companies now have a better understanding of their responsibilities, including how to identify and report on their impacts on workers. The ILO's Decent Work 2030 Agenda for Sustainable Development has also raised awareness of how productive employment and decent work are key to achieving fair globalization and poverty reduction.

However, today, many companies have a limited approach to worker welfare and informality outside of their immediate workforce. Current supplier standards and audit processes often don't reach the parts of value chains where these informal and vulnerable workers are likely to be present. Where they do reach, most standards and processes are primarily concerned with uncovering abuses of core labour rights, rather than a more holistic understanding of worker welfare and experience. As observed by Aarti Kapoor, Executive Director of human rights consultancy Embode – these standards largely focus on rooting out what companies **don't** want, rather than promoting what they **do** want.

"Companies have become very good at identifying issues, but there is a big gap in their ability to help addressing them."

Richa Mittal | Executive Vice President and Chief Innovation Officer, Fair Labor Association

According to business leaders and experts consulted for this research, outside of India where internal migration is a more commonly understood phenomenon, general awareness of the scale of internal migrants in informal work and their experience in many industries is also low. When global brands and businesses engage with migrant worker issues, business leaders and practitioners we spoke shared that they are most often focused on international migration and addressing issues such as high recruitment fees, debt bondage or other rights violations like the withholding of passports. Companies need a better understanding of the presence and experiences of internal migrants as they move towards a more holistic approach to social impact in their value chains.

Many companies fear that growing regulatory pressure will force them towards "disclosing rather than doing": spending more time reporting on sustainability activities than undertaking them, to root out and eliminate risk. This might seem to suggest that support for informal and other vulnerable workers

who are not direct employees shouldn't be a priority. In fact, according to those that are already supporting such changes, companies that adopt new, more holistic approaches to social issues throughout their value chain are best placed to weather the emergence of new regulatory frameworks, growing consumer and investor expectations, and climate impacts.

Looking forward, "cut and run" – ceasing relationships with suppliers or contractors with which issues are discovered - will no longer be the norm. When they discover issues, companies will be expected to engage with suppliers to understand and address the root cause – not only of the individual cases, but the wider vulnerabilities or factors that have contributed to the issue. With double materiality and wider responsibilities, companies will need to be open about and establish plans to address issues in their wider value chains, not just with their employees. "Radical transparency" will be increasingly welcomed by civil society organisations, who are more willing to work with companies as critical friends when companies acknowledge the challenges they face.

CHALLENGES TO ACTION ON WORKERS FOR BUSINESSES

- **Lack of visibility** Most businesses don't have much visibility of who is participating in their value chain beyond Tier 1 and other direct suppliers. In manufacturing supply chains, audits rarely go much deeper than the sourcing factory, for example, and companies may lack visibility of how their raw materials and feedstocks are produced. For companies that rely on contractors, the responsibility for hiring and gathering information on employees often falls to further layers of sub-contractors that each provide some workers to pull together a full crew.

- **Complexity and contextuality** In any given value chain there will be dozens of communities and stakeholder groups, each with complex, intersecting needs and experiences. Many of the challenges they face will be tied to larger, systemic issues including inequality, government policy and environment. These issues require a deep, contextual understanding to address, which is particularly challenging for businesses when the teams responsible for policy and actions are located far away.

"

"Companies are struggling because they know they have to go upstream in their supply chains, but they don't know how or where to focus. The pyramid is huge at the base, and they need to understand which parts of the supply chain to prioritize."

Richa Mittal | Executive Vice President and Chief Innovation Officer, Fair Labor Association

- **Lack of collectivisation, organisation or worker voice** Because informal workers and migrants are less likely to be part of unions or other collectivisation efforts, businesses struggle to establish means to connect with them on shared goals and agreements. Workers may have no means to raise issues to companies or go unheard when they do.

- **Pilot proliferation and stagnation** Where businesses have established programmes in support of informal workers and other vulnerable groups including migrants, often, these remain small-scale pilots operating in one area. Practitioners and advocates are increasingly calling on businesses to begin projects at a larger scale, building in processes for learning and adaptation during projects, rather than at the conclusion of pilots.

Moving forward, however, the trends discussed earlier in this report mean that industry-wide dynamics are shifting. This change will accelerate as leaders move ahead and more regulations take effect, and standards are adopted by financial institutions. This offers an incentive to more businesses to accelerate their own journeys today. Next, this report presents what companies can do today; to prepare themselves for action, to engage with stakeholders in their value chain, and to drive wider systemic change.

What to do: Creating the right conditions for action

ESTABLISH GREATER VISIBILITY OF YOUR VALUE CHAIN

Businesses seeking to engage more deeply with these issues should build a deeper and more granular picture of the make-up of their value chain, as a first step. This includes identifying where and in what scenarios informal workers are likely to be participating in their value chains, and among them, which workers are likely to be internal migrants or members of other vulnerable groups. This mapping is key to identifying where different interventions and collaborations are needed.

For sourcing and domestic businesses, establishing this kind of visibility will require collaboration with businesses and contractors that are higher in their value chain. Local civil society organisations and auditors will also play important roles in providing the capacity and contextual understanding to gather this information. Companies might also consider having in-house, local auditing expertise capable of identifying issues early on and signalling to contractors the importance of addressing these issues.

Long-term sourcing contracts, including commitments to provide support to address issues that might

"

"We need to understand who are in our supply chains, either as direct employees or further up the value chain. This awareness helps us manage risks better and ensures compliance with our human rights commitments."

Ajda Cevc | Senior Human Rights Advisor, Orsted

be uncovered, will be a critical leverage point for businesses that need to engage their suppliers and contractors to establish deeper value chain visibility.

As with many other actions listed in these good practices, uptake of these asks is more likely when multiple organisations send a clear signal with the same expectations, emphasising this is a market shift rather than a demand by one buyer or investor. While anti-competition laws create some challenges, there are many opportunities for businesses to use common metrics and standards and align on what they ask of their suppliers and wider value chain.

Banks and investors that request information about informality and migration in value chains from companies—and engage investee companies on these issues—will be better positioned for their own investments and products. They will also help foster greater engagement in real-world businesses.

"
"The companies that we know do it well are the ones that spend a lot of time actually working internally with within the company rather than the things that they do externally. So it's about getting different functions within the company to talk to it to make sure that the buying team is talking to the legal team, the sustainability team is talking to the HR function, etc."

Neill Wilkins | Head of Migrant Workers Programme, Institute for Human Rights and Business

CREATE THE RIGHT CONNECTIONS INTERNALLY

Often, sustainability, human rights and procurement functions in businesses are not well connected. This can lead to missed opportunities and difficulty in establishing cohesive approaches to addressing supply chain issues. For example, a study of Gap's suppliers found that suppliers that failed an audit improved only after Gap formally linked the future of the business relationship to the supplier's labour standards by coordinating the activities of its own purchasing and social responsibility departments.[87] When those departments were siloed, as they are in many companies, failing suppliers made no improvement.

Sustainability and social responsibility functions should ideally arrive with a vision of change, then work with procurement and supply chain functions to implement them. (However, sustainability and social responsibility are often viewed by other functions as part of a checklist, a nice-to-have or a cost centre, so leadership must also signal the importance of action.) Establishing regular processes to share information and report on progress are simple changes that can make a big difference.

In addition, hiring champions who are themselves members of target communities will help build trust with vulnerable workers and programmes that are better tailored to target groups. This can also help ensure that genuine dialogue can take place between communities and companies, and that workers' voices and experiences are understood.

BOX 7

The Supplier Ethical Data Exchange provides a standardised way to gather supplier data, while reducing the burden on local business.

The Supplier Ethical Data Exchange (Sedex) is a not-for-profit, membership organisation that leads work with buyers and suppliers to deliver improvements in responsible and ethical business practices in global supply chains. Sedex was founded in 2001 by a group of retailers to drive convergence in social audit standards and monitoring practices. Sedex aims to ease the auditing burden on suppliers through the sharing of audit reports and to drive improvements in standards.

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"We have incredible teams in-country and all the countries that are manufacturing countries. A lot of our team are intimately familiar with how factories work. Many of them used to work in factories themselves and so understand the gaps and limitations in terms of the application of international standards."

Senior Leader in Responsible Sourcing, Garment Company

INFORM DECISION-MAKERS IN YOUR BUSINESS

Many companies outsource significant aspects of their worker welfare work to expert organisations and on-the-ground service providers. This expertise and capacity are critical, but do not preclude the need for business leaders themselves to understand the complexity of their value chains.

Social responsibility and procurement teams can use resources like this report to inform senior leaders about the composition of their value chains and the experiences of different stakeholders within them. Leaders will also need to swiftly familiarise themselves with the implications of major incoming ESG standards and regulations including the EU's Omnibus, the TSIFD, and India's BRSR.

With this awareness, leaders will be better able to recognise both the risks and opportunities associated with workers, and be more likely to support long-term policies and programmes that create positive outcomes for their business and for workers.

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"Godrej is well known for being a very values-driven company. For our leadership, it is pretty clear – while we don't have a legal liability to ensure that these workers access their requirements, we do pay a tax to the board of construction welfare, and we are in a position to be able to make sure our contractors pass this on down the value chain."

Gayatri Divecha | Head – Sustainability and Social Responsibility, Godrej Industries Group

ESTABLISH SOCIAL DIALOGUES WITH WORKERS AND VALUE CHAIN MEMBERS

Once they have greater visibility of the composition of value chains, companies can then establish social dialogues with different groups. Social dialogue empowers workers by promoting participation in decision-making, enhancing their agency, and integrating their needs into labor policies. These dialogues can help to generate a shared understanding of the challenges and needs of different groups, build consensus around actions and create shared ownership of progress. The first-of-its kind Social Transformation Benchmark, conducted by the World Benchmarking Alliance in 2024, found that businesses that had established ways to consult with stakeholders in their value chain performed better against all of its human rights indicators, yet only 9% of the 2000 companies assessed do this today.[88]

IKEA, for example, established a supplier code of conduct called IWAY, in part driven by increased scrutiny of its supply chain by external actors. IWAY describes their commitment to ensuring all members of the company's value chain have access to safe and healthy work, labour rights and social protection, as well as securing stable and predictable work. This includes specific requirements for the company and its suppliers that use digital platforms. The average length of relationship IKEA has with its suppliers is 11

years. This has allowed IKEA to engage in dialogues with suppliers and their workers to develop these policies and ensure their experiences and needs are integrated within it.

In the context of informal workers and internal migrants among them, establishing social dialogues can be more challenging. Careful attention should be paid to power dynamics. For some groups, it's likely that a lack of formalisation will mean that representatives may struggle to represent the experiences of all of their peers, though trade unions will certainly be important stakeholders to involve. Smaller dialogues, supported by experienced facilitators, can help mitigate these risks. More investment may also be needed to engage and encourage informal workers' participation.

Social dialogues are not a substitute for established third party grievance mechanisms, which provide an independent and impartial platform for individual workers to voice their concerns, ensuring their issues are addressed fairly without fear of retaliation.

Alongside supporting social protection, the PCI works with many stakeholders to establish such independent grievance mechanisms.

SUPPORTING REGISTRATION

"Businesses think about their business, of course. Trade unions about their members. Informal workers about their lives. We all have different perspectives, but we absolutely have to cooperate to find solutions that work for each other through social dialogue."

Ms. Elly Rosita Silaban | President of KSBSI – Konfederasi Serikat Buruh Seluruh Indonesia, The Confederation of All Indonesian Trade Unions

"We need to understand the way the migrants work so we can attract and retain our migrant workers, which will help us reduce our costs and maintain profitability in a competitive environment."

Dr Sunita Purushottam | Head of Sustainability and CSR, Mahindra Lifespaces Developers Ltd

What to do: Building resilience and dignity in workforces

AND ACCESS TO SOCIAL PROTECTIONS

As discussed earlier in this report, access to social protection schemes can have a significant positive influence on outcomes for people in informal work. However, there are many challenges to accessing them, especially for workers who have travelled far from home. Businesses, often in partnership with NGOs and other local actors, can establish programmes that help to overcome these challenges. Partnerships, contractors and the establishment of "social protection officer" positions can all help companies to:

- Create materials and experiences that raise awareness of available social protection services for informal and migrant workers. Many workers may not be aware of schemes that they can access or how to begin the process. For some, simply raising this awareness will be enough for them to complete their own registration.

- Provide resources to enable workers to secure documentation. Many workers will not have the materials needed to access social protection.

On-site and local advisory services can help many workers to do so. This support is particularly valuable for internal migrants.

- Support initiatives that help workers to register for social protections. This support can be provided through registration sessions and other technical support. It can also include logistical support and agreed times when workers can travel to government offices.

- Engage suppliers and partners to provide these services to their workers and stakeholders. Particularly for businesses that have already established strong compliance and due diligence processes among their Tier 1 suppliers, the workers that will benefit most from these services will be employed by other organisations deeper in their value chains or in the wider industry. Programmes should therefore be designed and delivered in consultation with suppliers, partners and neighbouring businesses to sites and production facilities.

CASE STUDY 4

Godrej Properties Limited and Construction Worker Welfare

Each state in India has a Board of Construction Welfare (BoCW), to which all real estate developers must pay a tax. This board is tasked with providing various entitlements such as insurance, financial assistance, pension etc to all construction workers registered under BoCW in that state.

As part of Godrej Properties Limited (GPL) efforts to improve worker welfare, the GPL team uncovered that many construction workers on their sites were neither aware of their entitlements nor registered with the Board of Construction Welfare. This gap was partly due to the lack of a

mandatory requirement for companies to ensure the registration of their workers. While some contractors took the initiative to register their workers, many did not.

As part of their CSR strategy, GPL collaborated with several non-governmental organisations (NGOs), including PCI, Disha Foundation and Haqdarshak, to facilitate the unlocking of entitlements for construction workers. This collaborative effort aimed at raising awareness among workers about their rights and assisting them in the registration process. Additionally, Godrej implemented a policy of encouraging their contractors to register all workers under the Board of Construction Welfare scheme. By making worker registration an important part of their engagement with contractors, Godrej aimed to ensure that all workers employed on their projects would receive the benefits to which they were entitled.

In other Asian economies, companies with high numbers of international migrants in their value chains are also acting to support workers. For example, in Japan, the Obayashi group - a construction and infrastructure company - recently established a consultation and remedy service for migrant workers having identified that migrants were facing challenges integrating into communities. The initiative provides a phone line service that can be used by any non-native members of their value chain. Available in 21 languages, the service offers consultations on all matters related to their working and living environments, from work-related problems to a broad range of fields including daily life, education, medical care, and welfare. It also provides attendant support such as accompanying migrant workers to public offices or medical institutions when needed.

HUMAN STORY

Abdul Rahman – A construction worker in Pune benefiting from access to social protections

Abdul Rahman, 25, from Gonda, Uttar Pradesh, migrated to Pune due to limited job opportunities and economic distress. He began working at a construction site of a major real estate company, where he faced terrible working conditions. Despite working over eight hours daily, Abdul earned only ₹600 (~$7). Even in unfavourable weather, he had to work or risk losing wages.

Abdul lived with his wife in a labour camp on-site, where poor living conditions contributed to his deteriorating health. Though basic amenities like electricity, water, and toilets were provided, the camp had sanitation issues, and the rooms were small, congested, and lacked ventilation. Other labourers consumed alcohol, tobacco, and drugs on the premises, making it unsafe, especially for Abdul's pregnant wife. Despite these harsh conditions, Abdul was forced to continue working due to the economic distress he faced.

However, over time, with the combined efforts of a non-profit organization and the real estate company, Abdul's situation improved. He received training on workers' rights and was informed about social security schemes that could support his family. With support, Abdul successfully registered for the Building and Other Construction Work card, allowing him to benefit from several social security schemes. He and his family also registered under the Ayushman Bharat health insurance scheme. With better access to social protection and a clearer understanding of his rights, Abdul feels more hopeful about the future.

"As construction workers, our livelihood and standard of living is not satisfactory. My wife and I wish that our child does not have to live in this situation. We want our children to live in better conditions. I think the organisation has brought us a step closer to that. I am hopeful for the future."

These support measures can be incorporated into companies' wider social and environmental programmes. In farming for example, global businesses are investing substantial sums into the development and delivery of training on climate-smart and regenerative agriculture and other good agricultural practices. Working with partners, companies can integrate additional educational offerings into these existing programmes.

Awareness raising and registration programmes can become a catalyst for wider change. As more workers become aware of services available to them, they are likely to share this information with colleagues and their wider community, which can lead to further engagement and registration.

› **TABLE 1** Priority social protections that businesses can support workers to access in Bangladesh, India, Indonesia, Nepal, Philippines and Vietnam.

	BANGLADESH	INDIA	INDONESIA	NEPAL	PHILIPPINES	VIETNAM
Food Assistance	The Food Friendly Program	The Public Distribution System	Raskin Subsidised Rice Program	Food and Nutrition Security Enhancement Project	Food Stamp Program	Zero Hunger National Action Plan
Employment Generation	Employment Generation Program for the Poorest	Mahatma Gandhi National Rural Employment Guarantee Act	Decent Work Country Program	Prime Minister Self Employment Programme	JobStart Philippines Program	Decent Work Country Programme
Informal Worker / Labourer	Skills for Employment Investment Program	Rashtriya Swasthya Bima Yojana (RSBY)	Family Hope Program	Health Insurance for the Poor	Kabuhayan Programme	National Target Program on Sustainable Poverty Reduction
Old age / pension	Old age allowance	Pradhan Mantri Shram Yogi Maan-Dhan Yojana old age pension and social security	Benefits for Vulnerable Elderly	Survivors Old Age Protection Scheme	Social Insurance Old age Pension	Social Pension Scheme
Maternity	Maternity Benefit Allowance for the Poor	Janani Suraksha Yojana (JSY) Maternity Care Benefits	Keluarga Haparan Maternity and Child Care Benefits	Aama Programme (Safe Motherhood Programme)	Maternity benefit	Social Insurance Maternity Benefit

PROVIDE FOR BASIC NEEDS TO ENSURE A MORE RESILIENT AND PRODUCTIVE VALUE CHAIN

Particularly for seasonal and time-bound work like construction projects for which workers will move for a period of time, businesses can significantly improve workers' experience with modest investments in infrastructure and services on site. In India, both Godrej and Mahindra, for example, are increasingly investing in higher quality accommodation for workers on construction sites, as well as childcare services like creches and classes, and transportation to commercial areas. Companies like DMCI Holdings in the Philippines and Leighton Asia in Indonesia are also increasingly investing in on-site services including housing, healthcare, training and transportation.

HOUSING
Providing high quality housing can dramatically improve the living conditions of workers, particularly for internal migrants.

TRANSPORTATION
Where workers live far away from sites, or when family members need to travel to other areas, providing transport can reduce costs and increase safety.

LIGHTING
Outdoor lighting can improve safety and security, particularly for women, and reduce crime taking place near work sites.

CHILDCARE AND EDUCATION
Providing childcare and education for workers' families can significantly reduce costs and outside of work burdens. This support also improves their families' longer-term outcomes.

SHELTER / AMENITIES
Amenities like access to drinking water and other WASH needs can improve health outcomes. Shelters, cooling and shade are also increasingly important as climate extremes more frequently put workers' health at risk.

CASE STUDY 5

Arvind Fashion Possibilities - Welcoming internal migrants

Arvind Fashion is a fashion and garments company operating in India. Recognising the importance of migrants to their production facilities and ecosystem, they have put in place a series of programmes to support internal migrants in their value chain. This includes integration programmes that help migrants to assimilate in cities, including language support, as well as support to find safe and affordable accommodation near their workplaces. In addition, people that have travelled for work are offered support to access state health and welfare benefits, and offered a range of skills development programmes. Arvind say they see returns on this investment in a fostering more inclusive and supportive working environment for internal migrants.

These actions don't need to be limited to companies with significant on-the-ground footprints or only to facilities that brands source from directly. Manufacturing and production of some goods is often clustered in specific neighbourhoods or locations, meaning that facilities that are regularly audited and comply with international buyers' standards might sit right alongside others serving local markets, with worse conditions. By supporting the provision of services and infrastructure in these areas, international brands can positively impact the wellbeing of a far wider group of workers.

BOX 8

Metrics for measuring the impact of social protection support schemes

OUTPUTS
• Number of sites / suppliers / contractors with which support schemes are delivered.

• Number (+ proportion) of individuals reached with awareness raising activities.

OUTCOMES
• Reported awareness of social protection schemes.

• Number of individuals registered for social protection schemes.

• Sums (cash value) of social protection received by members of value chain.

IMPACTS
• Shifts in long-term behaviour changes and outcomes for informal workers in value chain.

ENGAGE WITH SUPPLIERS AND LOCAL PARTNERS TO BUILD SHARED APPROACHES TO WORKERS

Many manufacturing industries like apparel and electronics are increasingly building long-term relationships and contracts with suppliers, studies show.[89] Enabling longer-term approach enables companies to build the practices and capabilities of suppliers. Often, they will involve other local partners that offer services like training, support for registration into social protection, and others.

One key benefit of this approach is being able to adopt an "assess and address" approach to labour issues and other compliance matters, rather than "cut and run". The former provides longer-term demand stability, which gives suppliers the confidence to invest in making changes and adopting good practices that their buyers ask for. This approach is also better aligned with shifting expectations driven by emergent reporting requirements and regulations, which increasingly encourage companies to understand their entire value chain. Long-term relationships with Tier 1 suppliers can help companies get better data about companies further upstream.

"

"Develop much closer relationships with the suppliers and agencies that are determining the composition of your supply chain and, crucially, develop much closer relationships with workers themselves; they can best describe their experiences and needs."

Ajda Cevc | Senior Human Rights Advisor, Orsted

› **FIGURE 6 Brands in key industries are increasingly forming long-term relationships with suppliers. These allow for more strategic and holistic approaches to engagement with them.** Source: McKinsey

Supplier base categorization by types of relationships, share of supplier base, %

- ■ Long-term strategic partnerships with volume commitments
- ■ Long-term relationship without volume commitments
- ■ Transactional relationships

	2019	2023	2028 estimate
Transactional relationships	26	43	51
Long-term relationship without volume commitments	52	47	46
Long-term strategic partnerships with volume commitments	22	10	3
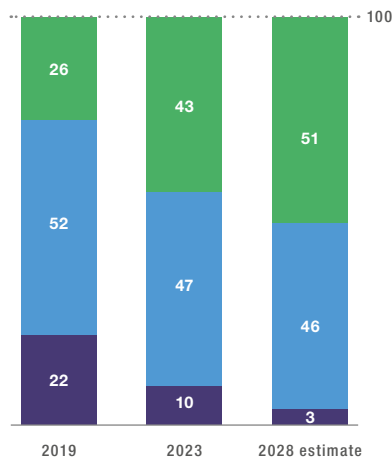
Question: If you think of your entire supplier base today, how would you describe the nature of your relationships? Source: McKinsey Apparel CPO Survey 2019, 2023

"Cutting and running should be the absolute last option but, if the relationship with the supplier is not strong enough, then the ability to get really good answers from them and build on that is obviously also weak… so one of our priorities is to build closer relationships with our suppliers."

Aditi Wanchoo | Director of Human Rights, Novartis. Former Senior Manager - Development Partnerships, Social & Environmental Affairs, Adidas

Continued engagement is also a key means through which purchasing companies can create a cascading effect. Over time, they can engage suppliers to do more in support of **their own** suppliers. For example, over time, companies can work with their Tier 1 suppliers to offer access to social protections and other support systems for smaller contractors, factories and service providers along the value chain. This same cascading approach can be taken to address other labour issues. In the long run, this approach reduces risks for buying companies, increasing the productivity and reliability of value chains and, critically, improving the working conditions and livelihoods of wider industry workforces, not just those at Tier 1 facilities.

"There can be fears among the contractor community about engaging workers about their rights, but when workers start benefiting and becoming happier, the community realizes their fears were unfounded."

Dr Sunita Purushottam | Head of Sustainability and CSR, Mahindra Lifespaces Developers Ltd

What to do: Supporting long-term systemic change

ADOPT SECTORAL- AND PLACE-BASED APPROACHES

Place-based approaches, often taking place at the scales of political jurisdictions or biological landscapes, are increasingly seen as a leading practice for addressing systemic issues like deforestation in commodity supply chains. Because the drivers of internal migration and the experiences of migrants are systemic and often similar across entire industries, these same approaches are well suited to addressing labour issues in many value chains. For example, lack of awareness of existing social protections and difficulty in registering for them will be a common experience among migrants in many companies' value chains.

Adopting sectoral and place-based approaches means working with local governments, community representatives and other businesses operating in the same sectors and places to develop a shared vision for change. It's critical to be mindful of power dynamics between groups, particular those like internal migrants that are less likely to have collectivised representation.

Examples of a sectoral approach could include gathering key industry players, contractors and recruiters, along with worker representatives, to develop a shared picture of the challenges faced by workers in different parts of the industry. A shared set of commitments and actions could be established, for example to offer workers across multiple companies access to the same awareness-building resources regarding social protections.

"We need to adopt a rights-holder centred approach, focusing on what workers need. Instead of just aiming to eliminate child labour from their specific supply chain, businesses should ensure children have access to education and a safe living environment… By working together within a sector or geographical area, companies can address broader issues that go beyond individual supply chains, such as improving education access or social protection systems in key sourcing regions."

Aarti Kapoor | Executive Director, Embode

CASE STUDY 6

H&M recognises its role driving systemic change

Having faced extensive criticism of working conditions in its value chain following several disasters in factories in South and Southeast Asia, since 2013, H&M has undertaken significant steps to ensure workers in their supply chain enjoy a safe and fair working environment. This has included the launch of a Fair Living Wage strategy, which has been celebrated by the Fair Wage Network due to its scale – reaching over 300 suppliers and almost 30,000 workers, as well to shared standards like the Bangladesh Accord on Fire and Building Safety, which set higher standards for suppliers as well as established mechanisms that ensured employee concerns were heard.

While H&M has invested significantly in improving conditions in its value chain, particularly with Tier 1 suppliers, it has also recognised that it can play a large role in driving change. The company has stated; "As one of the biggest fashion companies in the world, we have an important role in empowering workers and improving livelihoods to contribute to the socio-economic development of countries where we produce."

H&M have joined several initiatives in recognising of this wider systemic role. For example, they are a founding member of ACT, an agreement between global brands and trade unions that aims to improve wages through collective bargaining, freedom of association and responsible purchasing practices. They are also members of an International Working Group, convened by the ILO and coordinated by International Organization of Employers (IOE) and International Trade Union Confederation, which has been working since April 2020 for better social security for garment industry workers. The Working Group includes brands and manufacturers, workers and employer organisations, and governments. They were also signatories of the Dindigul Agreement - a legally binding, multi-party collaboration focused on eliminating gender-based violence and harassment in garment factories in Dindigul, Tamil Nadu, India, while also promoting worker rights, including freedom of association, and addressing caste-based and migration status discrimination.

> "We have to recognize that Asian economies are going through their own development process. The way it works in Asia has to be done the Asian way, and it includes significant progress in registration and access to social security benefits over the last decade. We need to support this journey in a way that holds governments accountable while providing interim solutions through strategic partnerships."

Aarti Kapoor | Executive Director, Embode

ESTABLISH INDUSTRY PARTNERSHIPS AND ALLIANCES

Companies in similar industries will share many of the same challenges in their supply chains and can deliver solutions at scale by working together. This might include, for example, establishing programs to promote awareness of social protections, or building quality infrastructure, in areas with large numbers of manufacturing facilities for their industries. It should also involve making shared calls to other actors like governments and regulators to raise the floor of expectations of companies, to create a level playing field for those that are already acting.

Within the confines of anti-competition laws, companies are also seeking to work together to articulate shared expectations of suppliers and manufacturers in their value chains based in similar areas. This helps ensure that companies in South and South East Asia don't become over-burdened by multiple similar but subtly different ESG expectations and requirements.

ADVOCATE AND ENGAGE WITH GOVERNMENTS

Ultimately, wider systemic change in the experiences and rights of workers, including those moving for work, will depend on government action to expand both the support available and access to it for different groups. Businesses can play an important role as advocates for change to government to do more, signalling commitment to countries that prioritise and improve worker wellbeing.

Today, few global brands or local businesses are advocates for workers to government. Recently, for example, according to US-based advocacy organisation Remake, H&M was the only global brand that publicly committed to absorbing the cost of increasing the minimum wage for garment workers in Bangladesh to 12,500 taka, and Patagonia was the only one that committed to the higher 23,000-taka figure proposed by workers.[90]

CASE STUDY 7

Government regulation can perpetuate informal work and poor conditions

The Job Creation Law, enacted by the Indonesian government in October 2020, introduced significant amendments to the country's labour regulations. The government aimed to create and expand employment opportunities to improve the national economy. However, this legislation has been met with substantial opposition from workers and trade unions due to fears that these changes will lead to deregulation and weaken labour protections. The protests and criticism stem from concerns that the law will perpetuate informal work and deteriorate conditions for certain stakeholders, particularly women, who constitute a significant portion of the workforce in labour-intensive sectors like garments and textiles. In the future, businesses could play an important role in sharing their expectations with governments and signalling a desire to see better protections for all workers.

Sharing and celebrating progress is an important means for driving more systemic action. Inviting political stakeholders, for example, to come and see the impact of programmes, including those promoting access to social protection, can also greatly increase government interest in supporting further programmes and their scaling.

BE COMFORTABLE WITH PLAYING A PART IN LONG-TERM CHANGE (AND STICK TO IT)

Going "beyond compliance" in engaging with worker issues and communities will be new for many businesses. As companies work to establish greater visibility, trust from informal and vulnerable workers, and channels to give them a voice, it is likely that they will uncover issues and challenges that would have previously inspired a "cut and run" response.

Companies may be fairly concerned with reputational risks associated with such discoveries. They will need to engage in open and frank discussions with civil society organisations and other stakeholders to share their commitment and journey. Bringing about long-term positive change will require patience and steadfastness from companies, and for them to be given space by those that seek to hold them accountable, provided their commitment is genuine. Leadership commitment to the issue will help businesses to stay the course in these at-times uncomfortable journeys.

Measuring and reporting on workers in the next wave of social disclosure

As the next wave of regulations and standards comes into force, the way that companies are expected to report on the "S" of ESG and their value chains will change significantly. The concept of double materiality in particular will mean companies need to measure and report on how their operations positively (and negatively) impact workers and wider communities. Driven by these trends, the metrics that companies track and report on related to workers are likely to evolve.

These kinds of metrics are increasingly important to businesses sustainability reporting and compliance activities. India's Business Responsibility and Sustainability Reporting (BRSR) regulation, for example, asks companies to report on worker and wider value chain related issues. This includes metrics on safety incidents involving employees and contract workers, spending on employee wellbeing programs, information on fair engagement with suppliers and details on sourcing from specific sources like MSMEs and local producers.

While at the time of writing the final form of the EU's next set of sustainability regulations is not completely known, we know that value chains will be a central focus. Companies will need to obtain better data, deeper into their value chains and to understand both the risks they face and risks their activities create for local communities and ecosystems.

Alongside expectations that businesses measure a wider set of indicators, measurement and reporting is also moving from tracking outputs – what most 'traditional' compliance indictors are today - towards outcomes and impact. Outcome and impact measures seek to capture the change (short- and long-term) that a series of actions (outputs) have generated. The number of people that participated in a training session would be an output – the number of people that change their behaviour as a result of it would be an outcome.

This shift towards outcomes and impacts will require a different approach from businesses as they consider how to promote positive change in their value chains. Establishing baselines is critical. For example, to trace the positive impact of efforts to support migrant workers living with their families, wellbeing indicators like children in school, poverty levels, etc. will need to be established at the outset of a project so that change over time can be identified. While this may be more labour-intensive, it also offers companies the opportunity to demonstrate the positive influence that they are supporting and to take a more evidence-driven approach to positive social impact.

"

"We measure what schemes we have unlocked. If there are cash subsidies that multiple workers are entitled to – we measure the value of that."

Gayatri Divecha | Head – Sustainability and Social Responsibility, Godrej Industries Group

CHECK-LIST FOR BUSINESS LEADERS MEASURING YOUR POSITIVE IMPACT ON INFORMAL WORKERS

Businesses can adopt these common and more advanced metrics to understand the current state of workers in their value chain, then set targets to advance.

COMMON METRICS FOR FACTORIES AND WORK SITES

Monitoring

☑ # /% of sites / contractors / suppliers audited

☑ Frequency and results of third-party audits on working conditions and compliance.

☑ # of compliance issues identified

☑ # of compliance issues resolved

Safety and environment

☑ # on-site injuries / fatalities

☑ # / % of contractors compliant with Health & Safety standards

☑ Safety measures implemented (e.g. lighting, lockers for valuables)

Skills and training

☑ # of trainings offered

☑ # / % of workers participating in training

Wellbeing

☑ # grievances issued and resolved

☑ Advanced metrics for factories and work sites

ADVANCED METRICS FOR FACTORIES AND WORK SITES

Monitoring

☑ # / % of Tier 1 suppliers that have established worker standards with subcontractors

☑ # / % of overall workforce in given production site with formal contracts

Safety and environment

☑ Air / water quality on-site or in worker accommodation

☑ Housing quality (e.g., beds per room, habitability)

☑ Availability of transportation for workers and families

Communities

☑ # community engagement activities and partnerships

☑ E invested in local community projects related to health, education, and infrastructure

☑ % of workers in production area represented by trade unions or worker committees

Skills and training

☑ % earnings increase for workers that received training

☑ # / % of in-company promotions

Wellbeing

☑ # / % workers offered / received health check-ups.

☑ # / % of workers' children able to access education.

☑ # / % of workers participating in training

☑ % of workers earning a living wage compared to the minimum wage

☑ € investment in climate resilience processes and infrastructure

CONCLUSION

Business engagement with workers can have significant positive benefits for industry, while playing a vital role in boosting the livelihoods and resilience of economies and communities. The People's Courage International is committed to growing awareness of the need for action and working with companies that recognise this opportunity.

Engaging with the experience of internal migrants, particularly those in informal work, is a business imperative today.

Informal work represents a significant proportion of all work in Asia, including in textiles, electronics, construction, and gig economy digital platforms. Informal workers, especially those migrating internally from economic desperation, climate shocks and other factors, are among the most vulnerable members of today's workforce. Climate change, too, is already making their work more dangerous and more unstable while simultaneously growing the number of people driven to move for work.

At the same time, sustainability regulators are turning the spotlight on workers and other social issues. The span and reach of such regulations is also growing, with global implications for more companies, deeper into value chains.

Businesses that understand the challenges that vulnerable workers face, and that recognise the distinct experiences of internal migrants in informal work, are best placed to act for better outcomes for

workers in their value chains – and to gain value from action.

This report outlines key steps that companies can take, such as deeper mapping and engagement of their supply chains, improving workers' access to social benefits, and engaging with a broad range of peers and stakeholders to support systemic change.

As this report shows, companies that have taken responsibility for people throughout their value chain see benefits in terms of warding against business continuity risks, attracting and retaining talent, driving more effective operations, stronger customer loyalty, and favourable access to finance and investment thanks to the rise of ESG-led investing.

And in the long run, the rewards may be greater yet. Shifting employment dynamics and social security are poised to be the next catalytic moment in the development of South and Southeast Asian economies. By addressing the needs of the most vulnerable workers – the engine of their nation's economies – and raising standards for worker conditions, business can drive better outcomes for people and for the economy.

Appendices

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ABOUT PEOPLE'S COURAGE INTERNATIONAL

People's Courage International (PCI) promotes initiatives that work deeply – and at scale – on the ground and leverage this to change systems. To ensure the success of our initiatives, we support grassroots leaders and organizations by bringing resources, technical capacity, research, technology, and other supports so they can better realize their impact potential.

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If you would like to learn more about this research and People's Courage International, get in touch at **info@peoplescourageinternational.org**.