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Employment Relationships and Working Conditions in an IKEA Rattan Supply Chain Executive Summary



**Employment Relationships
and Working Conditions
in an IKEA Rattan Supply Chain
Executive Summary**

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This report is the result of a collaboration between a project of the International Labour Office, Jakarta and IKEA. The research was conducted under the MAMPU (Maju Perempuan Indonesia untuk Penanggulangan Kemiskinan – Empowering Indonesian Women for Poverty Reduction) Programme, which is an initiative supported by the Government of Australia’s Department of Foreign Affairs and Trade (DFAT) and the Government of Indonesia’s Ministry of National Development Planning (BAPPENAS).

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Introduction

Responsible international brand companies recognize that compliance with labour standards is key to the way the world does business today and that fair and decent treatment of workers is not just an ethical imperative; it is good business. Companies are giving growing attention to employment relationships and working conditions throughout their global supply chains.

IKEA is one such international brand company that is committed to its corporate social responsibility (CSR). The IKEA trademark represents the leading home furnishings brand in the world today, with some 351 stores in 46 countries, about 1,500 suppliers in 55 countries and 164,000 “co-workers”. IKEA is a member of the Global Social Compliance Programme (GSCP), an industry-initiated programme working towards a sustainable approach for the improvement of working and environmental conditions in global supply chains. Since 2000, IKEA has established a code of conduct, the “IKEA Way on Purchasing Home Furnishing Products” (IWAY) which sets out minimum requirements for environment and social and working conditions for its suppliers throughout the world. IKEA has also developed detailed procedures in a regularly updated manual of Working Method to implement IWAY.

But, like many other large multinational enterprises, IKEA acknowledges that compliance monitoring and auditing does not ensure sustainable improvements throughout the supply chain; and the company is attempting to work more closely with suppliers and workers in the various tiers of the supply chain to promote sustainable, ethical supply chains and decent work for all.

Therefore, IKEA partnered with the International Labour Office (ILO) to collect and analyse information on the employment relationships and working conditions in one of its supply chains for rattan products located in the Cirebon district, Indonesia. For the ILO, the collaboration with a large multinational company was an opportunity to gather on-the-ground, evidence-based information from a case study that would contribute to the ILO’s broader efforts to promote ethical and sustainable supply chains and decent work¹ and also to its aims of promoting gender equality and improving the working conditions and lives of informal workers including homeworkers.²

The research was conducted under the MAMPU (Maju Perempuan Indonesia untuk Penanggulangan Kemiskinan – Empowering Indonesian Women for Poverty Reduction) Programme, which is an initiative supported by the Government of Australia’s Department of Foreign Affairs and Trade (DFAT) and the Government of Indonesia’s Ministry of National Development Planning (BAPPENAS). The ILO MAMPU component of the programme specifically aims to improve access to jobs and remove workplace discrimination for homeworkers who tend to be mainly women.

This report presents the results of the jointly commissioned research. The main aims of the research were to:

- Examine the production processes and arrangements in the IKEA rattan supply chain and the methods used by IKEA to implement IWAY;
- Improve understanding of the characteristics, employment relationships and labour conditions of the sub-contracted men and women workers in the lowest tiers of the IKEA rattan supply chain;
- Assess the impact of the IKEA code of conduct on working conditions in the supply chain; and

1 There will be a general discussion on global supply chains at the 2016 International Labour Conference.

2 Next year, 2016 will be the 20 year anniversary of the adoption of the ILO Home Work Convention, 1996 (No.177).

- Make recommendations to strengthen labour standards compliance in the supply chain so as to benefit both workers and business – to promote decent work particularly for workers in the lowest tiers of the chain and at the same time to enhance efficiency, productivity and competitiveness along the entire chain; and
- Provide evidence-based information and lessons learned to contribute to global efforts to promote ethical and sustainable, gender-sensitive supply chains and decent work.

The following key questions guided the research:

- What are the different tiers in the IKEA rattan supply chain, and what are the production processes and contractual arrangements between these tiers?
- How does IKEA manage the supply chain, in particular to ensure that its code of conduct is implemented in the chain of activities?
- What are the sub-contracting arrangements in the IKEA rattan supply chain? How do the main supplier companies that receive direct purchase orders from IKEA organize production to meet these orders? What dictates the choice of sub-suppliers to use workers in weaving centres or homeworkers? What are their employment relationships with these workers?
- Who are the workers in the lowest tiers of the supply chain? What are their demographic characteristics and what are their labour, health and safety conditions? What are the reasons for working from home or at weaving centres? How do working conditions differ for homeworkers from workers in weaving centres?
- What are the differences in working conditions between homeworkers in the IKEA supply chain and home-based own-account/self-employed workers producing rattan products?
- What are the gender dimensions in the supply chain? Are there differences in the working conditions of women and men workers?
- Are workers familiar with IKEA's code of conduct and what is the impact of IWAY on their working conditions?
- What recommendations can be made to improve working conditions while enhancing efficiency and productivity and strengthening the accountability framework along the chain?

2

The research methodology

Both secondary and primary research was conducted. The former consisted of a literature review; the latter involved a survey based on specially designed interview questionnaires³, focus group discussions (FGDs) and discussions and unstructured interviews with key informants.

The primary research was based on field work conducted in the Cirebon and Majalengka districts. IKEA representatives made initial visits with the research team members to explain and obtain the cooperation of the two main supplier companies to provide information on their sub-suppliers and workers and help set up the logistics for conducting the survey. Interviews were conducted with four different groups of respondents: sub-suppliers, sub-contracted workers in weaving centres, sub-contracted homeworkers, and self-employed/own-account home-based workers producing rattan products. A team of five enumerators were trained by the International Consultant for the research and conducted the field work under the supervision of a National Consultant. The survey period was from 2 – 18 March 2015; it covered a total of 201 respondents shown in Table 1 below.

Four focus group discussions (FGDs) were also conducted, three with weaving centre workers and one with homeworkers. One problem encountered with the FGDs was that the participants were not used to participating in an open discussion and expressing their own opinions; often they tended to agree with the view expressed by the previous person and there had to be considerable probing on the part of the facilitator.

The key informants included senior IKEA staff responsible for the Southeast Asia trading area, IKEA staff based in Indonesia and the management team of the two main supplier companies; these key informants also provided useful background documentation including a visual mapping of the supply chain, the IWAY manual and copies of written contracts. However, for business confidentiality reasons, they were not able to provide details of costing, pricing and the profit margins for the different tiers of the chain.

Table 1. The survey sample

Respondent	Male		Female		Total
	Main Supplier Company A	Main Supplier Company A	Main Supplier Company A	Main Supplier Company A	
Sub-suppliers	10	10	-	-	20
Workers in weaving centres	46	29	1	21	97
Homeworkers	3	10	-	40	53
Home-based workers	11		20		31
TOTAL	119		82		201

³ The four questionnaires in both languages and also the guidelines for the FGDs are available upon request from the ILO/MAMPU Access to Employment and Decent Work for Women Project (Phase 2) and from the author of this report.

3

Structure of the main report

Chapter 1 of the main report provides the background of the study and the research methodology for addressing a list of key research questions.

Chapter 2 maps the IKEA supply chain for rattan products. It identifies and describes the various tiers in the chain and provides brief profiles of the two main supplier companies based in Cirebon. The chapter presents IKEA's code of conduct for all its suppliers (the IWAY Standard) and explains how IKEA has been implementing IWAY. The key questions that the chapter raises are: has the implementation of IWAY provided decent work for the sub-contracted out workers in the supply chain? What more should and can IKEA do? The subsequent chapters of the report attempt to answer these questions.

Chapter 3 analyses the results of the interviews with twenty sub-suppliers. The chapter describes the production arrangements and employment relationships of these sub-suppliers with, on the one hand, the main suppliers and the IKEA international company itself and, on the other hand, their workers who are either based in small weaving centres or work from home. The analysis distinguishes the group of sub-suppliers working for Main Supplier Company A from the group working for Main Supplier Company B.

The characteristics, employment relationships and labour, health and safety conditions of male and female sub-contracted/out workers in the IKEA supply chain are described in Chapter 4. The chapter compares the working conditions of weaving centre workers with those of homeworkers; and analyses the different motivations, advantages and disadvantages for women and men to work in a weaving centre or to work from home.

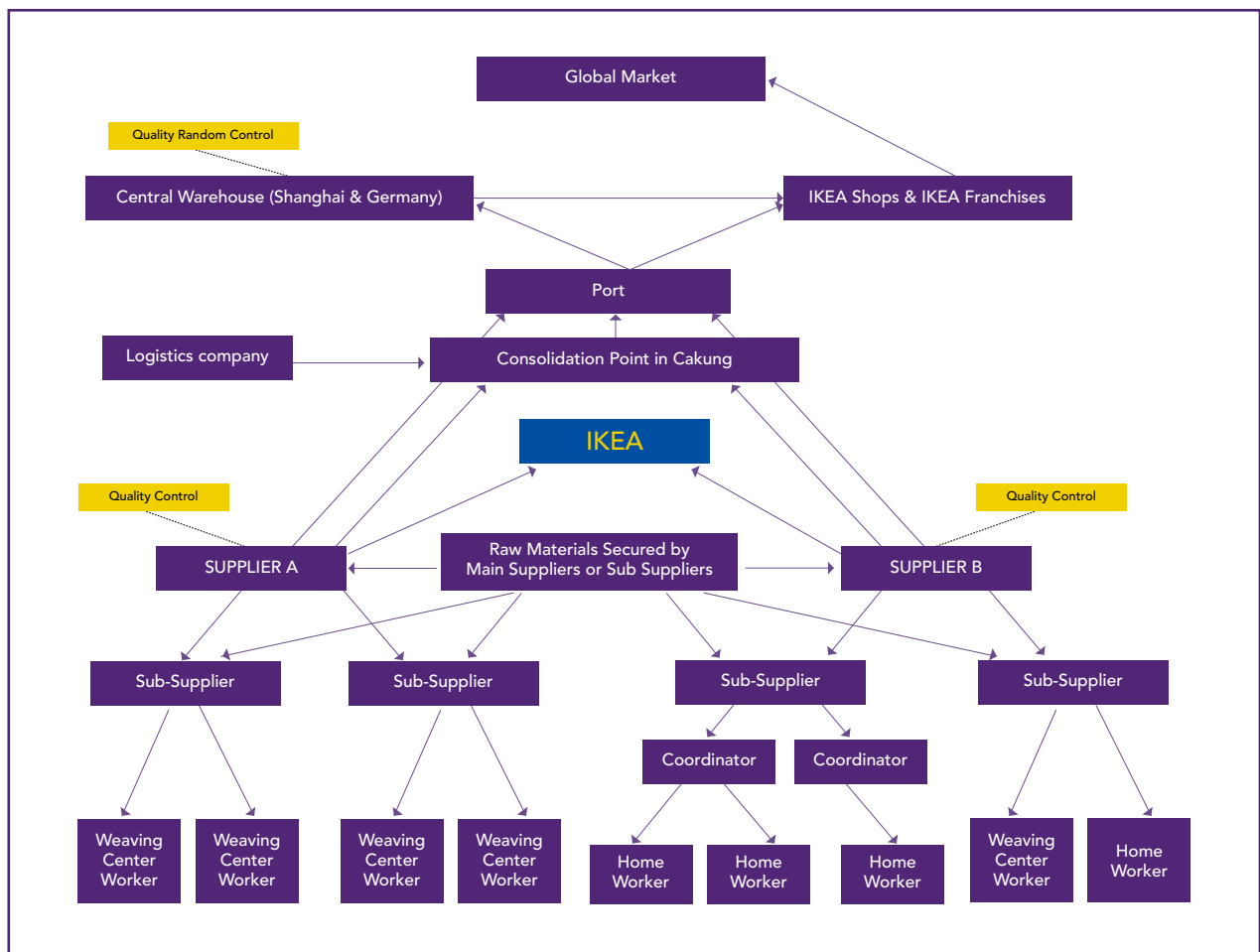
Chapter 5 focuses on the home-based workers in the rattan industry who are self-employed or own-account and not part of the IKEA supply chain. The chapter compares their work arrangements and working conditions with those of the sub-contracted workers who are part of the IKEA supply chain. The interesting question is whether those who are self-employed are better or worse off than those working for an employer (IKEA sub-supplier).

The final chapter summarizes the key findings of the research and offers suggestions - not just on how IKEA can promote more strict compliance with IWAY but also, and more importantly, on how IKEA can move from passive compliance auditing to engage more closely with the suppliers, sub-suppliers, workers and wider community to promote decent work and at the same time enhance productivity and competitiveness of business. It highlights the suggestions made by the sub-suppliers and workers themselves and also draws upon the experience and lessons learned from the efforts of other international brands. While the chapter offers recommendations for practical next steps and action points that can be taken by IKEA, the wider hope is that the IKEA case study can contribute to other global efforts to more effectively promote ethical and sustainable, gender-sensitive supply chains and decent work.

4

The IKEA supply chain and code of conduct

Box 1. The IKEA rattan supply chain



Box 2. Processes involved in the production of rattan products



The raw materials



Cutting and bending the rattan for chair frames



Splitting the rattan for weaving



Bending the frames for chairs



Weaving the chairs



Weaving baskets



Ready for collection

In Indonesia, IKEA has three main suppliers of rattan products, two based in Cirebon and one in Surabaya. A visual mapping of the supply chain involving the two main suppliers in Cirebon is presented in Box 1. The Box shows the different processes and tiers by which IKEA gets its rattan products from the production stage to the global market. The photos in Box 2 illustrate the different stages of the production process, including preparing the raw materials (soaking the rattan, cutting the rattan into appropriate lengths and splitting the rattan for weaving purposes), bending the rattan for making the chair frames; assembling the chair frames, and weaving the chair backs and seats, and weaving the baskets. Cutting and bending the rattan is heavy work which is normally done by men. Women are involved in assembling of the chair frames and weaving of the chairs and baskets. The finished products are collected from the weaving centres and homes of the workers and brought to the factories of the two main suppliers where they undergo quality control and then are packed and sent to a collection/ consolidation point in Indonesia. From there, an IKEA supply planner organizes shipment to IKEA shops around the world or to central warehouses based in Shanghai and Germany.

“The IKEA Way on Purchasing Home Furnishing Products” (IWAY), describes minimum requirements for environment and social and working conditions when purchasing products, materials and services.⁴ The IWAY Standard spells out start up requirements (IWAY Must) which must be met by potential suppliers prior to entering a business relationship with IKEA. IWAY Must is especially firm on non-use of child labour. IWAY also specifies minimum standards concerning environment (air, noise, water and ground); chemicals; hazardous and non-hazardous waste; fire prevention; worker health and safety; housing facilities; wages, benefits, and working hours; child labour; forced and bonded labour; discrimination; freedom of association; and harassment, abuse and disciplinary actions. To ensure that the code is not just a paper document, IKEA has established clear procedures and working methods related to the implementation of IWAY.

The IWAY Working Method has been adapted and simplified by the main IKEA rattan suppliers and translated into Bahasa Indonesia for communication to their sub-suppliers. An abbreviated translation of the IWAY Standard as communicated by the main suppliers to their sub-suppliers is shown in Table 2. This version of IWAY distinguishes between sub-suppliers who gather their workers in a “cluster” in a fixed place (the weaving centres) and those sub-suppliers who hire homeworkers. A sub-supplier in the “cluster” category must fulfil all points of the code, whereas those hiring homeworkers need observe only some of the points (meaning that homeworkers are not covered by some of the labour standards, for example they are not covered by accident insurance).

Table 2. IWAY requirements for weaving centre workers and homeworkers
(as communicated by main suppliers to their sub-suppliers)

IWAY Must	Sub-suppliers must apply code for	
	Weaving centre workers	Homeworkers
A.1. No child labour below 16 years of age	X	X
Must register all workers with proof of age	X	X
A2. No forced or bonded labour,	X	X
Must have proof through written contract	X	-
A3. Ethical business – no bribes, no corruption	X	-
A4. The living environment must be free of serious pollution	X	-
Waste materials from the production must be recorded before disposal	X	-
A5. Must ensure a safe and healthy work environment to avoid accidents and disease.	X	-
A6. Working Time – must not be more than 10 hours a day and 58 hours in a week	X	-
One off day a week	X	-
A7. Wages – must be above the minimum wage for those working full 40 hours a week	X	X
Must provide proof that the wage has been directly received by the worker	X	X
A8. Accident insurance – must register all workers according to the law	X	-

4 See http://www.ikea.com/ms/en_MY/about_ikea/pdf/SCGlobal_IWAYSTDVers4.pdf for the complete code of conduct.

The main findings from the study

5.1. Employment relationships, working conditions and supply chain linkages

- The survey revealed *significant differences between the two main supplier companies* in terms of size (number of sub-suppliers and workers), range of products, length of time in the IKEA supply chain, and contracts exclusively with IKEA or also with other international buyers. One company selects only sub-suppliers with weaving centres because “it is easier to monitor compliance with IWAY rather than in the homes of workers” and hires mainly male workers in the weaving centres. The larger company has some 105 sub-suppliers, 600 workers in weaving centres (500 men and 100 women) and 1,300 homeworkers (1,000 women and 300 men). These differences between the two companies help to account for some of the differences in employment relationships and working conditions reported by the sub-suppliers and the out workers. The smaller company which has also been working with IKEA for a much shorter period appears to have greater difficulties implementing IWAY.
- Only two out of the 20 *sub-suppliers* interviewed are registered as businesses; an important reason being that they lack knowledge about registration. Although they do not have business licences they are not operating illegally since the legal regulations do not insist on registration of micro and small enterprises. Most of the sub-suppliers are totally dependent on the main IKEA supplier for their work orders and raw materials. They supply their finished products exclusively to the company with which they have a written contract but almost half of them do not know where the products are sold or the final price.
- Irregular work orders, cancelled orders and insufficient orders are *supply chain problems faced by the sub-suppliers*, especially those of one main supplier company. However, the most serious problem identified by the majority of sub-suppliers concerns rising costs and low profits related to the low piece rate payment for their products and their inability to bargain with the main companies. Since the sub-suppliers themselves receive low piece rates the margin they have to pay their workers is limited.
- The sub-suppliers indicate a very strong preference for workers at *weaving centres* rather than those working at home – the most important reasons being the need to monitor both the workers and the quality of products and also to have better control of the raw materials. However, the weaving centres are basic workspace structures with thatched or corrugated iron roofs and cement floors – heat, dust, smells, limited storage space for raw materials or finished products and lack of proper facilities such as toilets are common problems in the weaving centres (see Box 3). The sub-suppliers cover the costs of raw materials and utilities at the weaving centres and also provide meals for the weaving centre workers and basic accommodation for workers from other areas. (They also cover the cost of raw materials for the homeworkers but only some pay for the electricity and water of homeworkers).
- A striking finding is that almost all the IKEA supply chain homeworkers and 70 per cent of the weaving centre workers are contented with their current place of work and would not switch even if they had a choice. The FGDs also confirmed that the *workers do not want or are not able to work in factories* – particularly the women who have family and domestic responsibilities. Other reasons given by the

workers why they would not choose factory work are: the stricter factory regulations (for example they are not supposed to talk or joke with other workers); they do not like the shift work in factories; they have greater flexibility to choose their working hours in a weaving centre as compared to a factory; they can “get their full income and not have to pay for food and drinks” (which they would have to do so in a factory). Some explained that they had previously worked in factories that were dusty, smelly and noisy. None of those interviewed or those participating in the FGDs feel that they can earn more working in a factory than in a weaving centre or at home.

Box 3. The weaving centres



- For the female homeworkers, the biggest **advantage of working at home** is the ability to combine work with family and domestic responsibilities; and about two-thirds of them do not see any disadvantages to working at home. The most important reason and biggest advantage for the men homeworkers is the flexible work arrangement and the greater freedom they have working at home. On the other hand, the biggest **advantage of working in a weaving centre** for the women is the company and assistance of colleagues and friends, while the men cite a wider range of advantages – including regular work orders and having the raw materials, equipment and free meals supplied to them at the weaving centre. Almost 60 per cent of all weaving centre workers do not see any major disadvantage in their current job.
- **The work-related problems** listed by the IKEA sub-contracted workers are clearly important to take into account in efforts to improve decent work. All the workers agree that the low rate of payment is the major problem. Added to the problem of low piece rates is the problem of delayed payments for homeworkers. Many workers also expressed concern that they are not able to negotiate/bargain with the suppliers. Unreliable supply and poor quality of raw materials affect all workers – the work schedule is interrupted, the work is harder, they are able to produce less and earn less. For those

working at home the lack of workspace is a problem while those at weaving centres complain of frequent power cuts and also poor tools and equipment to work with. (Other aspects of the working conditions of the sub-contracted/out workers are described in Section 5.2 below in terms of how they have been affected by the implementation of IWAY).

- In terms of monthly **income from weaving**; 55 per cent of all sub-contracted workers at weaving centres and at home earn below the minimum wage for the district of 1.2 million IDR (US\$92).⁵ The homeworkers tend to be worse off than the weaving centre workers and the women workers are clearly worse off than the men. Eighty-two per cent of female weaving centre workers and 70 per cent of female homeworkers earn below 1.2 million IDR per month. Among the men, 54 per cent of those working at home and 40 per cent of those in weaving centres earn less than 1.2 million IDR. None of the workers reported earnings above 2 million IDR per month. Those earning below the minimum wage are more likely to be working less than full-time (8 hours a day) and, conversely, those that work 8 or more hours a day are more likely to earn above the minimum wage. The women both at weaving centres and at home are more likely than the men to work less than a full 8-hour day. While there obviously is a relationship between the number of hours worked and income earned, it has to be emphasized that this is clearly not the only explanation since, for example, a third of all those working 8 or more hours a day are still earning below the minimum wage.⁶
- Another point that should be highlighted is that the **IKEA sub-contracted workers and their households depend heavily on their income from weaving**. Almost one tenth of all the workers reported that their household income is less than 1.2 million IDR (US\$92), which means that they are living below the household poverty threshold.⁷ For most of the weaving centre workers and homeworkers, income from weaving is their main source of livelihood; 54 per cent of the household members of all sub-contracted workers are not economically active (and therefore depend on the earnings of the IKEA sub-contracted workers); and of those who are economically active most are also in the rattan industry (though not working for IKEA). Furthermore, only less than one-fifth of all sub-contracted workers have other non-weaving income earning opportunities/secondary jobs; and almost all those with secondary jobs earn less than 900,000 IDR (US\$ 69) a month. The obvious implication is that any measure that results in these workers losing their jobs, for example, should IKEA decide to prohibit the use of homeworkers or to use only factory workers, the impact on these traditional weaving communities and the weavers' households would be very serious.
- For comparison purposes, the survey also covered those workers who are self-employed or own-account workers and not part of the IKEA supply chain. These **"home-based workers"** in comparison to the IKEA sub-contracted workers come from distinctly larger and poorer households, and have a longer employment history in the rattan industry. The majority of the women home-based workers do not have a special workspace within their homes to carry out their weaving work; the men are more likely to have a dedicated workspace either within the home, outside in the porch or in a simple structure attached or adjacent to their home (see Box 4). As own-account workers, the home-based workers of both sexes still depend on an individual buyer/contractor for what they produce and sell; they pay for their own utilities and equipment and two-thirds of the men pay for their own raw materials while 85 per cent of the women are supplied the raw materials by their buyer/contractor. A much higher percentage of the home-based workers know where their products are eventually sold and the sale price of the products compared to the IKEA sub-contracted workers. It is not possible to compare the payment per piece received by the home-based workers with that received by the IKEA sub-contracted workers – because of the different types and designs of the rattan products. However, what is clear is that 95 per cent of the female home-based workers earn less than the minimum wage of 1.2 million IDR per month (US\$92) and are the worst off compared to all other groups of workers. Seventy-three per cent of the male home-based workers earn below the minimum wage compared to 40 per cent of the male weaving centre workers and 54 per cent of the male homeworkers. There is also a difference in the frequency of payment – all IKEA sub-contracted workers are paid their wages on a weekly basis whereas more than one-quarter of the home-based workers are paid only upon completion of orders.

5 Rate of exchange: 1 IDR = 0,0000769 US\$

6 The issue of income earned, hours worked and the minimum wage is discussed in greater detail in Section 5.4 below.

7 The poverty line is 294,000 IDR per person per month, and taking the average household size to be 3.7 persons, the poverty threshold for a household is 1.09 million IDR or US\$84 per month. Data from <http://www.bps.go.id/Subjek/view/id/23#subjekViewTab3>; and <http://www.bps.go.id/linkTabelStatistik/view/id/1283>

Box 4. Workspace and working conditions of home-based workers



- The **problems that home-based workers have in common with IKEA sub-contracted workers** include lack of workspace in the home, the low piece rate, irregular supply of raw materials and the inability to bargain with the contractor/buyer. But compared with the IKEA workers, the home-based workers face more serious problems with pressures to complete work orders than cancelled or irregular orders; and they are more concerned with irregular supply of raw materials than the poor quality of raw materials.
- **The future of the rattan industry** will hinge on the ability to recruit sufficient skilled workers, in particular young workers. Already most sub-suppliers cited difficulties in getting young workers and in facing a high turnover of workers. The workers themselves confirmed that young people are not interested in weaving work – “there is no next generation, they are migrating”; “they want higher salaries, the pay is low in weaving”. The workers also emphasized that they want their children to have an education and find jobs other than weaving.

5.2. The implementation and impact of IWAY

IKEA has taken a number of measures to implement IWAY in the rattan supply chain, but the survey revealed that there are still important gaps between the desirable IKEA code of conduct (the full IWAY standard), the standard communicated by the main suppliers to the sub-suppliers which distinguishes between the standards applicable to weaving centre workers and those for homeworkers (refer back to Table 2) and the actual knowledge and practice of IWAY by the sub-suppliers, what the sub-contracted workers reported that they know and practise of IWAY and their actual working arrangements and conditions:

- **Training in IWAY** has been provided to the main suppliers and sub-suppliers. The main supplier companies have appointed staff with specific responsibilities for training the sub-suppliers and workers and checking on their knowledge and practice. However, not all sub-suppliers have been trained; one-time training is not adequate; and what the sub-suppliers remember from the training and practice is often limited.

- According to the information communicated by the main suppliers to the sub-suppliers, those sub-suppliers who hire workers in a “cluster” in a fixed place (weaving centre) are expected to observe all points of the IWAY code whereas those hiring homeworkers need to fulfil only some of the points. A printed copy of IWAY is normally displayed on the wall of a weaving centre and most of the sub-suppliers interviewed claimed that they have trained or explained IWAY to their workers. But their explanations focus on the “easier” aspects of IWAY (no child labour or bonded labour, safety and health in the workplace and the quality of the products) and do not address the code relating to minimum wages or social insurance for the workers. More than two-thirds of all weaving centre workers and over 90 per cent of all homeworkers have never heard of IWAY; and among those who know of IWAY, actual observance of the code is even more limited.
- The code on **child labour** is strictly observed (although there appears to be some discrepancy in that the IWAY Standard for Sub-suppliers stipulates the minimum age as 16 years whereas the sub-suppliers and the workers reported a cut-off age of 17 years). The record of workers maintained by the sub-suppliers and submitted to the main supplier company must indicate the age of the worker; and workers have to submit their residence identity card as proof of age. The weaving centres also stipulate that children should not be brought to the premises. No child labour is the regulation that is best known and also most observed by the sub-contracted workers themselves.
- There is no evidence of any **forced or bonded labour**. Although some of the workers have taken loans from their employer and more than half the workers feel they cannot easily change employers, the reasons for not being able to switch are not because they are bonded but because they have good relations with their current employer, are satisfied with their current working conditions or cannot find other suitable jobs.
- IWAY stipulates that the terms of employment should be set out in a **written contract**. But the IWAY Standard communicated by the main suppliers to the Sub-suppliers does not mention a written employment contract. While the sub-suppliers all have written contracts with one or more main suppliers, they provide written contracts to less than one-third of the female workers at weaving centres and at home and less than 10 per cent of the male workers. However, several of the workers explained that it is common practice to work in the rattan industry without contracts, and they do not need or do not want a written contract because they are then free to switch employers or stop work. Some of the homeworkers also view a written contract as merely an “audit document” to be shown during an audit process. What is also striking is that among those who have contracts, almost two-thirds indicated that they do not fully understand the terms of their contract.
- The IWAY Standard for Sub-suppliers clearly stipulates that the piece rate must be fixed to enable an average worker working full time to at least earn the **minimum wage** for their area/district. The code on minimum wage was also emphasized by the IKEA representatives who met with the survey team. But, as already described above, more than half of all sub-contracted workers reported earnings below the monthly minimum wage of 1.2 million IDR (US\$92); the homeworkers tend to be worse off than the weaving centre workers; and the women are worse off than the men – although the sub-suppliers claim that homeworkers are paid a higher rate to compensate for having to cover their own utilities and meals and that men and women are paid the same rate for doing the same kind of work. The majority of all workers do not even know what the legal minimum wage is.
- IWAY specifies that **working time** should not exceed 10 hours a day and 58 hours a week; overtime should not be more than 3 hours a day and workers should have 1 day off a week. The regulations concerning the day off and overtime are generally observed by all sub-suppliers and workers. But only 23 per cent of the men and 14 per cent of the women of the weaving centre workers work full 8-hour days; 52 per cent of the men and 82 per cent of the women reported working about 7 hours a day. About a quarter of the male weaving centre workers have 9 -10 hour work days. Perhaps surprisingly, the homeworkers reported slightly longer working hours – 62 per cent of the men and a third of the women work at least 8 hours a week. But unlike the workers in weaving centres, those working at home have flexible (non-continuous) hours of work.
- **Safety at the workplace** is an issue that the sub-suppliers are keenly aware of. All the weaving centres surveyed have fire extinguishers and basic first aid kits, but those working at home do not have such equipment. Some sub-suppliers have procedures in place for evacuation in the event of natural disasters. At least about 80 per cent of all workers reported that they have had work related

injuries or accidents, although most of these are not serious and only required treatment with the first aid kit and do not entail taking time off work. Although there is a no smoking regulation, this is the rule most often flouted by the workers.

- The workers, in particular the men working in weaving centres, also reported **health problems** that they relate to their work. The most common health problems identified by the workers include back pain and body aches related to the position they sit or stand to do their work (implying that there are ergonomic issues); and problems breathing and dust in their eyes related to the working environment which is often dusty (from the splicing of rattan), smelly (from the soaking of rattan and also from the blow torches used to bend the rattan) or hot (in open structures but without fans). However, most of the homeworkers do not feel that their work affects the health of household members.
- **Cleanliness in the working environment** is another item that is highlighted. But as the photos in the Boxes illustrate, conditions in the weaving centres and the homes of the workers are not only very basic but could be better maintained – dirty, uneven floors and raw materials, equipment and finished products scattered around can be dangerous. Some of the workers also complained about the lack of proper toilet facilities. For the homeworkers, the lack of proper workspace in the home can be dangerous especially for the children.
- The IWAY Standard for Sub-suppliers (Table 2) also states that the sub-suppliers must register all their workers in weaving centres for **accident insurance**. The majority of the weaving centre workers do receive accident insurance either from their sub-supplier or the main supplier company. Some of the workers also receive health insurance. The IWAY Standard currently does not require accident insurance for homeworkers. Very few of the homeworkers have any social security benefits.

5.3. The gender-related issues

The survey revealed important gender differences that ought to be taken into account to meet the IWAY standard of non-discrimination and gender equality:

- All the sub-suppliers are male; the workers in weaving centres are much more likely to be male than female; and women dominate among those working at home. The sub-suppliers, in particular those from one main supplier company, indicated that they prefer to deal with men. Others indicated that they have no gender preference but it would depend on the type of work – the heavier work such as bending the rattan for frames is considered more appropriate for men.
- Among the IKEA sub-contracted workers interviewed, the women working in weaving centres or at home are younger, have lower levels of education, first started working earlier and come from households with more members than the male workers. The households of the women homeworkers tend to be the worst off with 20 per cent having incomes below the poverty threshold for the area (none of the male homeworkers' households are below the poverty threshold). The women who are self-employed home-based workers also come from larger and poorer households. However, the women workers in the weaving centres tend to come from households that are better off relative not just to the homeworkers but also to their male counterparts.
- Only 23 per cent of the men and 14 per cent of the women work a full 8-hour day at the weaving centres; another 52 per cent of the men and 82 per cent of the women reported working about 7 hours a day. About a quarter of the male weaving centre workers have 9 -10 hour work days. Perhaps surprisingly, the homeworkers reported slightly longer working hours – 62 per cent of the men and a third of the women work at least 8 hours a day. But unlike the workers in weaving centres, those working at home have flexible (non-continuous) hours of work.
- The **women workers are clearly worse off than the men in terms of income earned from weaving**. Eighty-two per cent of female weaving centre workers, 70 per cent of female homeworkers and 95 per cent of the female home-based workers earn below the minimum wage of 1.2 million IDR (US\$92) per month. Among the men, 54 per cent of the homeworkers, 40 per cent of those in weaving centres and 73 per cent of the home-based workers earn less than the monthly minimum

wage. While the lower income earned by women workers could be partly linked to their shorter and more flexible working hours (because they bear the main responsibility for family and household chores), the survey data did not provide enough details to determine whether there could be other discriminatory factors.

- The FGDs revealed that the male workers both in weaving centres and at home would prefer to be self-employed rather than sub-contracted workers but they currently are unable to do so because they do not have the capital. The women, on the other hand, prefer to work for an employer because they do not have to bear the costs and risks of own-account work.
- **Women workers have a lower level of knowledge and awareness** – they are much less likely than the men to be aware of where their products are sold nor the sale price of their products. They also reported a lower knowledge of IWAY or of the Indonesian laws and regulations relevant to their type of work, and 84 per cent of all sub-contracted women workers compared to 57 per cent of the male workers do not know what the minimum wage is (Table 4.36). The women (those who have written contracts) are also less likely than the men to fully understand the terms of their work contract (Table 4.18). Their lower levels of education and also of knowledge put the women at a disadvantage in being able to claim their rights and has implications for the need to have gender-sensitive training and awareness raising programmes.
- There was some evidence of women homeworkers being threatened by their sub-suppliers “not to be too honest” in answering the survey questionnaire if they wanted to continue to receive work orders.

5.4. The minimum wage issue

Decent work entails much more than just ensuring that workers are paid a monthly income above the minimum wage. However, the issue of the minimum wage is a major focus of concern of the IKEA representatives. Therefore, this Section examines the possible factors that may explain why, in spite of IWAY, so many of the IKEA sub-contracted workers are still earning below the monthly minimum wage.

- The way IKEA representatives verify that their suppliers are paying the workers at least the minimum wage is not by checking the worker's wage from weaving; the base for verification is the piece rate set by the supplier/sub-supplier⁸ - “We check whether a worker with average speed of weaving, who focuses on the job and is weaving continuously for 8 hours a day, 26 days a month is able to earn at least the minimum wage level. In practice, we measure the time it takes for weaving of one product and calculate how many pieces can be done within 8 hours, then this is multiplied by the number of working days in a month. Having the total number of products that can be produced during one month we multiply that number by the piece rate and compare the result against the minimum wage. If it is equal or above then the (IKEA) requirement is met”. The representatives also emphasized that “the crucial point is to set the right average time needed for weaving one product (not sure if today the preparation before weaving e.g. bringing the raw materials is included). Suppliers /sub-suppliers set it based on their own experience (time of weaving at the factories) or evaluate it by measuring time of several workers and choosing the average time as the base for setting the piece rate”. But what needs to be pointed out is that almost a third of the sub-suppliers interviewed do not know or are not sure of what the minimum wage for their area is.
- This method of fixing the piece rate may help to explain why the sub-suppliers are paying so many of their workers below the minimum wage. Since the piece rate is based on the “average speed of workers” or on the “average worker”, then logically only about 50 per cent of the workers will be able to achieve the minimum wage in normal working hours. But if the rate is based on a “worker with modest ability” or the rate is set with a downward correction of 20 per cent in the average speed (as recommended by ILO experts), then the majority of workers would be able to earn the minimum wage for normal working hours.⁹

⁸ The explanation by the IKEA representatives of how the wages of the sub-contracted workers are fixed was provided in Chapter 3 but for ease of reference is repeated here.

⁹ See, also, for example, APINDO and ILO 2013, Good Practice Guidelines for the Employment of Homeworkers, Jakarta: ILO, pp.18-19.

- The current method is also based on workers working full time (8 hours a day) – meaning that those workers working less than full time would not be able to earn the monthly minimum wage. The survey data showed that those earning below the minimum wage are more likely to be working less than full-time (8 hours a day) and that conversely those that work 8 or more hours a day are more likely to earn above the minimum wage. The women both at weaving centres and at home are more likely than the men to work less than a full 8-hour day and a much higher percentage of the women than the men earn less than 1.2 million IDR a month. While there is an obvious relationship between the number of hours worked and income earned, it has to be emphasized that this is clearly not the only explanation since, for example, a third of all those working 8 or more hours a day are still earning below the minimum wage.
- There could also be issues arising from the conversion of the monthly into the daily minimum wage (for example, the right number of days in a month should exclude rest days and paid holidays).
- Even if the workers are working continuously for eight or more hours a day, the number of pieces they can produce would still be affected by the quality of the raw materials and disruptions in the supply of raw materials. Poor quality rattan affects the speed at which workers can finish a piece and may lead to poor quality products which are rejected and disrupted. Irregular supply means that workers have to stop work while waiting for raw materials to weave. The survey and FGDs had confirmed that poor quality raw materials and irregular supplies are serious problems for both sub-suppliers and their workers.
- Even if a worker works a full 8-hour day at “average speed”, part of the time could be spent, carrying, loading or unloading raw materials and finished products for which he/she is not paid.
- Unfortunately, we do not have data on the payment margins between the different tiers of the supply chain (what IKEA pays the main suppliers, what the main suppliers pay their sub-suppliers, and what the sub-suppliers pay their workers). For example, if the main suppliers are paying their sub-suppliers low rates per piece, the sub-suppliers may have very low margins between what they receive and their costs to be able to pay their workers down the chain per piece. The survey had found that a serious problem faced by both sub-suppliers and workers is their inability to negotiate/bargain with their respective employers.
- The monthly income earned by the IKEA sub-contracted workers was compared against the monthly minimum wage of 1.2 million IDR (US\$92) for the Cirebon district. The minimum wage level differs for different districts/regions of the country and is periodically adjusted to take into account changes in the cost of living. The minimum wage for the Cirebon district was recently adjusted upwards to 1.4 million IDR (US\$108).¹⁰ This obviously has implications for the need to revise the piece rate for the different rattan products and the margins between the different tiers of the chain. How frequently such adjustments are made to the piece rates and the profit margins would impact on incomes earned by the workers.
- The points discussed above should make it clear that without deeper investigation and detailed data it is not possible to pinpoint the exact reasons for why the sub-contracted workers are earning below the minimum wage nor to trace accountabilities. What is obviously important is the method used to fix the piece rate paid to workers for finished products and also to determine the profit margins for the different tiers of the supply chain. This may call for a specific study.
- IKEA’s focus of attention has been on the minimum wage but not on a living wage (a wage which for a full-time working week would be enough for a worker and his or her family to meet its basic needs). Surveys have found that the minimum wage falls short of the cost of living in many countries. “The living wage is recognized as one of the most powerful tools for business to contribute to their workers’ human rights”.¹¹ IKEA may wish to work with international organizations and researchers to better understand and address the issues of minimum wage and living wage for workers.

¹⁰ <http://www.jababekainfrastruktur.com/assets/uploads/files/SK%20Gubernur%20Jabar%20Ttg%20UMK%202015%20di%20Jabar.pdf>

¹¹ See Wilshaw, R. 2014. Steps towards a living wage in global supply chains, OXFAM Issue Briefing, p.5.

Promoting an ethical supply chain and decent work

The survey proved what is already well known - that having a code of conduct with detailed procedures and working methods for implementation and conducting audits is an important start but does not ensure that labour standards are observed throughout a global supply chain; IKEA's good intentions have not translated into decent work for those in the lowest tiers of its rattan supply chain. There is still much that IKEA can do if it is serious in its aim of promoting an ethical and sustainable, gender-sensitive supply chain and decent work to benefit both workers and business.

"What IKEA can do" does not, however, mean that the responsibility is solely with the IKEA Company and its direct representatives. The responsibility has to be a shared one – between the IKEA Company, the main suppliers and sub-suppliers, the workers and even the community, government and other stakeholders including workers' and employers' organizations in Indonesia. For example, a measure to improve working conditions may involve costs, investments and compliance – these cannot be borne solely by one party; IKEA and its suppliers and sub-suppliers need to sit down to work out shared responsibilities. And for the efforts to be sustainable, workers have to play their part and the government has to provide the supportive facilities and legal framework.

6.1. Suggestions from the IKEA sub-suppliers and workers

The suggestions offered by the sub-suppliers and workers for addressing the problems with their work in the supply chain are summarized below. What is critical to underscore is that these suggestions have the potential to not only improve working conditions but also enhance productivity and, thereby, benefit both workers and business. By demonstrating to those in the lowest tiers of the supply chain that their suggestions are given consideration, IKEA could promote worker loyalty, improve worker retention rates and enhance supply chain efficiency:

- **Remuneration:** it is not unexpected that the largest number of suggestions from the sub-suppliers and also all the workers concerns payment:
 - ◆ Increase the piece rate. It is worth re-quoting the statement from one sub-supplier "Hope IKEA can increase the price it pays the main suppliers so that the main suppliers can increase the payment to sub-suppliers and the sub-suppliers can increase wages for the weavers – IKEA has to take the lead";
 - ◆ Avoid delayed payments – pay immediately when products are delivered, should not use any kind of instalment scheme to pay sub-suppliers or workers;
 - ◆ Pay at least the minimum wage – this would enhance the willingness of workers to work and make it easier for the sub-suppliers to hire workers.
- **Work orders:** to address the serious problem of irregular work orders:
 - ◆ Try to ensure regular work orders;
 - ◆ The main supplier companies should not appoint more sub-suppliers and instead offer a fair distribution of work orders to all current sub-suppliers.

- **Raw materials:** both sub-suppliers and workers had suggestions to:
 - ◆ Improve the quality of rattan raw materials – wet rattan or hard inflexible rattan affects not only the ability of the workers to produce but also the quality of the products and results in higher rejection rates;
 - ◆ Ensure a steady supply of raw materials to the weaving centres and the homes, so that the production schedules of the workers are not disrupted;
 - ◆ Provide assistance to the sub-suppliers when the price of raw materials goes up so that they are able to fulfil work orders and still make some profit;
 - ◆ Avoid delays by arranging for the chair frames produced by one sub-supplier to be sent directly to the sub-supplier responsible for weaving instead of being sent first to the factory of the main supplier;
 - ◆ The Indonesian government should stop the export of rattan raw materials and promote the production of rattan finished products within the country. Although there is a law restricting the export of rattan, this is still quite a common practice.
- **Utilities, equipment and tools:** to avoid work disruptions and improve productivity:
 - ◆ The government should ensure a steady supply of electricity and avoid power cuts;
 - ◆ The sub-suppliers should ensure that the workers have proper equipment and tools to work with, including regularly servicing and repairing the equipment and tools at the weaving centres.
- **Working environment:** to address the workspace and working environment problems:
 - ◆ Provide financial assistance to the sub-suppliers to improve the weaving centres, in particular so that there is adequate space to store raw materials and finished products;
 - ◆ Improve basic facilities such as toilets and fans at the weaving centres;
 - ◆ Assist the homeworkers to improve workspace within their homes.
- **Negotiations:** Several of the sub-suppliers stressed the importance of discussing/negotiating with the main suppliers so that together they can find “win-win” solutions to the problems. The workers too had a suggestion that both workers at weaving centres and at home should get together so that they can be united in approaching the sub-suppliers or main companies.

6.2. A comprehensive and inclusive approach

The suggestions provided by the sub-suppliers and out workers in the rattan supply chain are obviously crucial for IKEA to take into account. But to have a consistent and lasting impact, the suggestions in the Section above should not be addressed in a piecemeal manner. Drawing upon the experiences and lessons learned from the efforts of other international brands and the guidance compiled by various organizations concerned with ethical supply chain issues¹², the recommendations below suggest a more comprehensive and inclusive approach that IKEA can adopt to balance social responsibility objectives with those of running a successful business. It is also useful to point out that some of the suggested measures are already in IKEA's own working methods manual but are repeated here to highlight their significance and the importance of effective implementation:

- **Know who and what is in the supply chain:** To identify where there are decent work gaps, IKEA must first know who and what is actually in its rattan supply chain. Although the IKEA Company requires its main suppliers to maintain records of its sub-suppliers and their workers, the survey found, for example, that some sub-suppliers further sub-contract to other sub-suppliers and the main suppliers do not necessarily keep their records up to date or complete. One lesson learned from other international brands with huge supply chain relationships is that simply contractually obligating suppliers to disclose their supply chains, while necessary, has proven ineffective and inadequate. The

¹² Including Ethical Trading Initiative (ETI), the Shift Project, Ceres, Better Work, Fair Labour Association (FLA), OXFAM, WIEGO, Global Social Compliance Programme.

main suppliers may have competing motivations, disincentives or different business drivers that make them reluctant to disclose all the information about their sub-suppliers and workers. Undisclosed sub-suppliers and workers are a frequent reality across many industries:

- ♦ [Promote internal and external buy-in to properly map the supply chain](#) – internally within IKEA from the various functions that have direct interaction with the supply chain and externally from the suppliers themselves. Good practice examples include:
 - Providing incentives to the procurement team to engage actively in the process, for example, by making the mapping an item in individual performance targets or awards;
 - Incentivizing suppliers to map and disclose their own pieces of the supply chain, for example by linking to work orders or other commercial benefits;
- ♦ Explain the importance of mapping to both IKEA staff and external suppliers by [emphasizing the commercial rather than the human rights perspective](#). Good practice examples include:
 - One company emphasizes the importance of knowing all levels of the chain in order to safeguard quality, and engages the quality control team which regularly visits the field to report back new suppliers uncovered during their field visits;
 - Others make the case in terms of commercial efficiencies, ensuring sustainability of supply and limiting business risks.
- **Prioritize for taking action within the chain:** It is obviously not feasible for IKEA to conduct due diligence on labour standards and take immediate action for the entirety of its supply chain. In the specific case of the Cirebon rattan supply chain:
 - ♦ An obvious priority is [to address the specific vulnerabilities and disadvantages faced by the women workers](#), particularly those working at home in more isolated situations and are worse off compared to the weaving centre workers. The fact that women have lower levels of knowledge and awareness, for example of IWAY, and they are less likely than the men to fully understand the terms of their work contract has obvious implications for the need for gender-responsive training and awareness raising programmes. The survey had also discovered some elements of pressure from sub-suppliers who had threatened women homeworkers with job loss if they were “too truthful” in the interviews;
 - ♦ In the specific case of the Cirebon supply chain, [priority could be given to main supplier Company A](#), its sub-suppliers and workers (who are mainly working in weaving centres) since the survey revealed that the smaller company faces greater difficulties in complying with IWAY standards so that its sub-suppliers and workers appear to be worse off in several aspects compared to those of Company B;
 - ♦ The fact that the smaller company produces exclusively for IKEA suggests that IKEA may have greater [leverage to influence the practices of the supplier](#). The lesson learned from others is that where a company has leverage over its supplier, it should exercise that leverage to promote standards and where it lacks the leverage, it should look to increase its leverage in order to be in a position to prevent or mitigate adverse impacts;
 - ♦ Such prioritization should not, however, mean that Company B does not require special attention, importantly because its sub-suppliers hire a large number of homeworkers who are mainly women.
- **Actively involve the various stakeholders in the chain:** More and more companies are recognizing that a top-down approach of imposing a code of social and environmental standards on suppliers as a condition for securing business is not sustainable. The people in the various tiers of the chain must feel that they have a voice and a stake in implementing labour standards:
 - ♦ [Promote dialogue not monologue](#): IKEA exercises its leverage at the contracting stage through IWAY MUST – these are the terms that IKEA imposes on the suppliers that they must observe to secure business. However, what suppliers [must](#) do is not the same as what suppliers [want](#) to do because they see the benefits. Other company leaders have noted that “the real potential may lie in the opportunity to create a dialogue with suppliers – rather than a monologue – regarding

the terms of the contract, the expectations and challenges they raise, and how they can best be met”.¹³ The approaches that companies use to create a dialogue with suppliers at a critical moment in the relationship when the leverage of the company is potentially at its high point to discuss expectations and potential roadblocks to meeting them include:

- Some companies build these types of conversations into supplier opportunities for business at the front end of the process, this helps to create a sense of shared purpose;
- One company requires suppliers to participate in two workshops sponsored by the company on social and human rights standards and compliance in order to be eligible to bid for business;
- Another company builds human rights compliance criteria and conversations into the bidding process before the business has been awarded;
- ♦ Promote buy-in, not merely compliance: Suppliers and sub-suppliers are much more likely to observe labour standards if they see it not merely as an obligation but good for business. One important measure will be to review the contents and manner of training (“training is an investment, auditing is a cost”) in IWAY that IKEA provides for the suppliers and sub-suppliers to ensure that the emphasis is not just on what must be done but on why it should be done and to discuss with them (not just instruct) the barriers and difficulties they face and how it can be done to achieve “win-win” outcomes;
- ♦ Listen to workers’ voices to remain relevant and responsive: Any sustainable effort to promote labour standards must be inclusive of the workers themselves. Other studies have found that companies often lack knowledge regarding worker aspirations and needs as well as lack understanding of how workers and suppliers view the impact of initiatives and programmes already in place:
 - The survey had revealed that a common complaint that workers have is their inability to negotiate or bargain with their employers. The workers had also recognized the importance of being able to get together to discuss with their employers ways to arrive at “win-win” situations - IKEA representatives can help to create such opportunities by facilitating open discussions that are not in an audit environment and by assuring the workers that they will not be penalized for speaking up;
 - Special attention needs to be given to ensure that women feel comfortable to express their views;
 - As a longer-term measure, IKEA can also consider working with the main suppliers to set up grievance mechanisms that will enable workers to voice their grievances without fear of losing their jobs and with confidence that their complaints will be given due consideration;
- ♦ Ensure that all parts of the IKEA Company itself support the promotion of labour standards by better aligning business processes with its CSR: Concern with labour rights challenges in supply chains often focus on the suppliers and sub-suppliers. But there are also important dimensions internal to the IKEA Company that can increase or reduce labour rights risks. Some companies have found instances where there are inherent tensions between the commercial interests that guide purchasing decisions and the avoidance of labour rights abuses or poor working conditions.¹⁴ “The relationship between those responsible for driving social and human rights compliance and those driving purchasing, procurement and other supply chain management decisions is often what separates ‘good on paper’ from ‘good in practice’.”¹⁵ Various good practices have been identified:
 - In the experience of many companies reconciling the internal tensions that exist between commercial drivers for procurement decisions and the company’s code on labour rights can only occur if the responsibility for promoting labour standards is embedded with those responsible for procurement decisions – for example, by locating the labour standards function within the

13 SHIFT, 2012. Respecting human rights through global supply chains, Shift Workshop Report No. 2, October, p.12.

14 For example, if a company makes late changes to the design of a product or to the volume of an order without taking into account the consequences for the supplier/sub-suppliers, the company would be contributing to any resulting adverse impacts on the workers, such as excess hours, unpaid overtime, inadequate earnings, illegal sub-contracting, etc.

15 SHIFT, 2012. Respecting human rights through global supply chains, Shift Workshop Report No. 2, October, p.19.

procurement department. For the procurement department to “own” the responsibility, it should be closely involved in developing or revising the supplier codes;

- OXFAM, for instance, recommends training the company buyers to understand the impact of their decisions on working hours, low wages and precarious work in the supply chain;¹⁶
 - Another company conducts joint audits between their procurement and CSR teams thereby creating one team that can apply different lenses;
 - Another company creates regular opportunities for its senior corporate officers to visit supplier sites.
- **Move beyond compliance monitoring to sustainable, inclusive improvements:** More and more companies are acknowledging that compliance auditing alone is insufficient to promote sustainable improvements on issues of social performance; “compliance monitoring can have the unintended consequence of duplication and resource inefficiencies –resulting in far too much time and money dedicated to policing rather than improving operations and employment conditions”.¹⁷ They are moving towards more collaborative and inclusive approaches, including measures to:
 - ♦ Engage the local community: There are important reasons for IKEA to consider initiating measures to promote social and environmental standards that target the wider Cirebon community: the supply chain workers come mainly from villages and families where weaving is a traditional skill; although the self-employed home-based workers are currently not part of the supply chain they could be brought into the chain at a later stage; and such measures may be able to reach out to young people whose labour will affect the future of the industry. Community-based education/ awareness raising programmes aimed at wide audiences would also have the potential of: benefitting current and potential workers; enhancing the productivity of both workers and suppliers, improving the quality of products and supply chain efficiency; promoting the image and reputation of IKEA, improving community relations; and strengthening the local community. It is critical to ensure that such programmes are gender-responsive, for example they need to be scheduled taking into account women’s family responsibilities. Examples of such programmes could include:
 - Awareness raising on ergonomics – to improve the ways in which rattan workers are carrying out their work so as to address their health related problems (many workers complain of back pain and body aches);
 - Workshops to improve the workers’ knowledge of the benefits of having written contracts and proper records of working hours and products so that they have written proof when negotiating with their employers;
 - Forums to discuss ways to increase the supply of rattan raw materials;
 - Workshops to improve the use of eco-friendly rattan products;
 - ♦ Engage a wider set of partners: To ensure that efforts to promote labour standards are sustainable, it is important to collaborate with others. The experience of many companies has been that trade unions, employers’ organizations, rattan business associations and other relevant civil society organizations (CSOs) and NGOs can be good partners for reaching out to workers, sharing experiences and good practices for promoting decent work and improving productivity, and assisting in public policy engagement with local government:
 - Although the rattan supply chain workers are currently not organized, there are large trade unions in Indonesia that can help IKEA representatives to better understand how local laws and regulations might serve to encourage or inhibit efforts to promote labour standards and can also help to put pressure on the authorities to amend these regulations;

16 OXFAM. 2013. Labour rights in Unilever’s supply chain: from compliance to good practice. An Oxfam study of labour issues in Unilever’s Viet Nam operations and supply chain.

17 Ceres and Levi Strauss & Co. 2012. Improving workers’ well-being: A new approach to supply chain engagement. See also, Locke, R., M. Amengual and A. Mangla. 2009, “Virtue out of necessity? Compliance, commitment and the improvement of labour conditions in global supply chains”, *Politics and Society*, Vol.37, No.3 pp.319-351

- Employers' organizations and business associations can also be useful allies to set industry standards or establish mechanisms in the rattan industry that will benefit both workers and business. For example, a potential partner could be PROSPECT Indonesia (Promoting Sustainable Consumption and Production Eco-Friendly Rattan Products Indonesia) which aims to promote sustainable consumption and production of eco-friendly rattan products;¹⁸
- NGOs such as Mitra Wanita Pekerja Rumahan Indonesia and Himpunan Wanita Pekerja Rumahan Indonesia (Association of Indonesian Women Homeworkers, HWPRI) can also help to reach out particularly to harder-to-reach homeworkers and to provide information on their situation and needs;
- ♦ **Engage local governments:** Given the critical role of national and local laws and regulations in affecting workers' rights, it is obviously important to engage local governments in community-based corporate social responsibility efforts. Some suggestions are:
 - IKEA could initiate a campaign to work with its suppliers and sub-suppliers and also the relevant local authorities to determine how to extend accident and health insurance coverage to all workers or to improve the rattan industry by improving the supply of rattan raw materials. Such public policy engagement would contribute to the well-being of workers and at the same time be good for productivity and the image of IKEA and its suppliers and sub-suppliers;
 - IKEA can work with the government and the rattan business community to recognize unique local skills (of weaving)¹⁹ and to actively preserve and promote the local advantage of the weaving villages, including through appropriate reward systems of wages, piece rates, etc. – this would have the advantage of contributing to local economic development and also attract young workers;
 - IKEA, together with other partners including trade unions, employers' organizations, business associations and civil society organizations can encourage the government to legally recognize home-based workers and facilitate their access to labour and social protection.

18 See www.pupuk.or.id and www.prospectindonesia.org. PROSPECT Indonesia is supported by a number of local and international organizations including the Ministry of Industry, Association for Advancement of Small Business (PUPUK), the European Union through SWITCH-Asia and the Netherlands Development Organization (SNV).

19 In Viet Nam, for instance, weaving is recognized as a semi-skilled occupation, so that workers are paid above the minimum wage.

Seven action points for IKEA

The comprehensive and inclusive approach suggested above will take time, effort, shared responsibilities, collaboration with a wide range of actors and a paradigm shift from passive compliance monitoring of a company's code of conduct to active development and implementation of specific programmes to address the needs of workers and promote decent work in the supply chain. A definite start has already been made – the dedicated collaboration of IKEA with the ILO in this study is an indication of its commitment to better understand and address working conditions in the supply chain. To follow up and to take practical measures, IKEA can consider the following next steps or action points:

1. **Share the findings of this survey with the main supplier companies and their sub-suppliers.** Use the findings not to “point fingers” but as an evidence-based opportunity to openly discuss the issues raised by the survey; to solicit their comments, clarifications or explanations; and to discuss the barriers and the business case for them to more effectively implement IWAY and how best IKEA can work with them to address the issues;
2. **Share the findings of this report internally with IKEA's own operations and management teams** with the aim of promoting wider understanding of the complex issues surrounding who and what is in its supply chain and contributing to a hard look at what really needs to be done – internally and externally, with suppliers, with communities, and with a wider set of partners and stakeholders - to achieve an effective push on labour standards in its supply chain;
3. **Review and revise the IWAY training programme** in terms of both contents and manner of implementation. The training should focus not just on the “must” aspects of IWAY but importantly on the “why” for workers and for business. The training should not just target suppliers and sub-suppliers and leave it to them to then train their workers. The survey had revealed that the majority of workers have no idea of IWAY. The training should be conducted by trained staff who are able to hold interactive sessions with both sub-suppliers and workers and stimulate discussion on the questions and concerns that they may have. Ensure that the training programmes are women-friendly and cover both weaving centre workers and homeworkers;
4. **Address the issue of the minimum wage** since this clearly is the priority concern of the IKEA representatives. IKEA may wish to work with wage experts in the ILO to conduct a specific study on the method of fixing piece rates and the various factors affecting the income earned by workers raised in Section 6.1.4 above. The study should also examine whether the minimum wage is an adequate proxy for the basic needs of workers and their families – examine not just the minimum wage but also the living wage;
5. **Do not, however, focus just on the minimum wage.** Decent work is about much more than wages and IWAY itself emphasizes many other important labour standards. There are several **other practical measures that IKEA can implement together with other stakeholders which could have important impacts for workers, business and the wider weaving community.** One such measure would be a gender-sensitive communication/awareness raising programme jointly developed with the main suppliers and sub-suppliers on topics (described above) such as ergonomics to improve

the ways workers are carrying out their work and address their health problems or on the importance of written contracts. IKEA could also discuss with the main suppliers, sub-suppliers and government representatives the feasibility and cost of extending accident insurance for all homeworkers. Another important measure would be to address the concern of both sub-suppliers and workers about irregular supply and poor quality of raw materials (for example, the workers had suggested that one way to improve supply efficiency and avoid delays is by arranging for the chair frames produced by one sub-supplier to be sent directly to the sub-supplier responsible for weaving instead of being sent first to the factory of the main supplier);

6. **Identify who to work with in the wider community to promote scalable ways to improve labour rights and increase collective leverage:** IKEA can conduct its own due diligence on some of the possible local partners identified above (such as PROSPECT) to determine the value of collaboration and the most effective methods to do so. IKEA can also consider joining multi-stakeholder initiatives, such as Better Work, Ceres, ETI, to have better access to good-practice know-how and also opportunities to collaborate with others to address difficult issues;
7. **Set up a clear process for tracking follow-up to this report.** Ensure that responsibility is clearly assigned internally within IKEA to check on recommendations adopted, changes made and impact both on business processes and on the welfare of workers, and to report back.



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