

Indonesia: Homeworkers and Intermediaries – Survey findings

Homeworkers and intermediaries

There is very little information on the relationship between homeworkers, intermediaries and enterprises within the value chain. In recent years, the ILO Office for Indonesia and Timor-Leste has been raising awareness on homeworkers, who work home-based for remuneration producing goods or services according to specifications by employers or intermediaries. Homeworkers are largely invisible and faced with many decent work deficits such as low pay, long working hours and insufficient access to legal and social protection. Improving the working conditions of homeworkers requires a comprehensive approach that involves understanding how homeworkers interact with intermediaries and enterprises.

As little is known about intermediaries who work with homeworkers, this brief presents findings from a survey of 41 intermediaries in 6 provinces across Indonesia. The brief shares information on the key characteristics of intermediaries and provides information that could be used to improve the working conditions of these workers. In particular, the findings highlight the experiences of intermediaries in engaging in negotiation and it is recommended to work with intermediaries for improving the working conditions of homeworkers.

Box 1: Inside the ILO's MAMPU project

MAMPU – Access to Employment and Decent Work is an ILO project which focuses on improving women's access to decent work, particularly for homeworkers. This project is financed by the Australian Department for Foreign Affairs and Trade's through a Programme on Empowering Indonesian Women for Poverty Reduction (Maju Perempuan Indonesia untuk Penanggulangan Kemiskinan - MAMPU).

The project seeks to support the empowerment of women through improving the working conditions of homeworkers and supporting their transition from informal to formal employment. The project works with the government, trade unions, employers' associations and civil society organizations to transfer knowledge and then build capacity of homeworkers to improve their working conditions. The project also works to increase evidence-based data to support policy and programme planning and development.

A survey of intermediaries

In order to shed light on intermediaries who work with homeworkers in Indonesia, the ILO conducted a study involving 41 intermediaries in 6 provinces including North Sumatra, West Java, Central Java, Yogyakarta, East Java and Banten in 2015. Taking into account that little is known about intermediaries and that intermediaries can be difficult to identify, this survey drew upon referrals gathered from a survey of 3010 homeworkers in Indonesia in order to locate intermediaries that were interviewed in this study.¹

The survey research undertaken had two main aims, including to identify the characteristics and working conditions of intermediaries and to understand the position of intermediaries within the value chain. In particular, the study was designed to gather information in the following areas:

1. The gender attitudes of intermediaries;
2. The characteristics of intermediaries;
3. The working conditions of intermediaries;
4. The business environment of intermediaries;
5. Relationships between intermediaries, enterprises and homeworkers.

The study's participants completed a questionnaire with 69 variables. Questions focused on understanding the profiles of intermediaries across variables including educational attainment, working hours, remuneration, and contract type, among others. It also focused on understanding the mechanisms through which intermediaries interact with homeworkers and enterprises, including the benefits and challenges of operating in this business environment. Attitudes and perceptions on gender equality and the world of work were also explored.

Demographic profile of the sample

One third of the participants of the study were men (14) and two thirds were women (27). Most of the people interviewed were married and the average age of the sample was 45 years. Two thirds of the intermediaries interviewed lived in rural areas (27), while one third lived in urban areas (14).

¹ILO (2015) Homeworkers in Indonesia, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Box 2: Who are intermediaries?

An intermediary is known by many names, including intermediary, trader, agent, middleperson, broker, contractor or subcontractor, and their roles and responsibilities widely vary. Some intermediaries who work with homeworkers commission and trade commodities produced by homeworkers on behalf of a company or customer or other employer on a commission basis. Some intermediaries only deliver materials and finished products without having much decision-making power on factors that affect them, such as rate of payment. Tasks of an intermediary include:

1. Establishing contact between homeworkers and buyers/sellers of commodities to be produced by homeworkers;
2. Discussing the standard requirements of clients and providing instruction to homeworkers;
3. Organizing the production of commodities with homeworkers;
4. Negotiating the production and sale of commodities produced by homeworkers;
5. Temporarily storing commodities produced by homeworkers.
6. Delivering raw materials and finished products between the employers and the homeworkers.

Many of the intermediaries interviewed had completed junior high school or senior high school. For example, 35.9% and 43.6% of the sample had completed junior high school and senior high school respectively (see table 1). In comparison to the employed population in Indonesia, the intermediaries interviewed had higher levels of educational attainment. For example, only 17.8% and 25.4% of the overall employed population had completed junior high school and senior high school respectively, while the educational profile of intermediaries was higher.² A further comparison of the data collected in this survey with the data collected on homeworkers reveals that intermediaries tend to have a higher level of education than homeworkers.³

Table 1: Educational attainment of intermediaries

Educational attainment	Number	Per cent
Primary school or below	8	19.5
Junior high school	14	34.1
Senior high school	19	46.4
Diploma / university	0	0.0
Total	41	100.0

Source: ILO (2015) *ILO survey of intermediaries*, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

²BPS (2014) *Labour force situation: August 2014*, Badan Pusat Statistik, Jakarta.

³ILO (2015) *Homeworkers in Indonesia*, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Many of the intermediaries interviewed in this study stated that they work as an intermediary as they have limited opportunity to gain employment in the formal economy. Even though the intermediaries interviewed tended to have a higher level of education than the overall employed population in Indonesia, they still perceive that their limited education is a binding constraint to finding better jobs and improving their livelihoods.

Intermediaries perceive themselves to be own account workers or casual employees...

The majority of intermediaries interviewed in this study considered themselves to be either own account workers or casual employees not in agriculture (see table 2). Intermediaries who identified themselves to be own account workers indicated that they provide a service for enterprises, but they do not undertake production related tasks themselves. Intermediaries who identified themselves as casual workers perceived that they were hired by enterprises to help the enterprise find homeworkers. A smaller number of intermediaries perceived that they were employers assisted by homeworkers. These intermediaries perceived that the homeworkers with whom they worked were their employees.

Table 2: Perceived status in employment of intermediaries

Main employment status	Number	Per cent
Own account worker	13	31.7
Employer assisted by temporary worker / unpaid worker	8	19.5
Employer assisted by permanent workers	2	4.9
Employee	2	4.9
Casual employee in agriculture	0	0.0
Casual employee not in agriculture	16	39.0
Unpaid worker	0	0.0
Total	41	100.0

Source: ILO (2015) *ILO survey of intermediaries*, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

The intermediaries interviewed in this study typically cooperated with only one enterprise. Intermediaries described their job as providing a coordination mechanism between homeworkers and enterprises (see box 2). This includes collecting raw materials and tools from enterprises and delivering these items to homeworkers, as well as collecting finished products from homeworkers and delivering these products to enterprises. They also provide quality control services for

manufactured goods, collect payments from enterprises and disburse wages to homeworkers. Therefore intermediaries work in the “trade sector”, and coordinate with homeworkers and enterprises that work within the manufacturing sector.

... who work in labour intensive industries in the informal economy

In particular, the intermediaries interviewed in this study predominantly coordinated with in labour intensive industries within the manufacturing sector, including textiles, wearing apparel, footwear, wood and other manufacturing (see table 3). Activities undertaken in “other manufacturing” related to handicrafts, sports equipment, accessories, eyelashes and electronics.

Table 3: Employment sector of intermediaries

Sector	Number	Per cent
Food and beverage	6	14.6
Textiles	5	12.2
Wearing apparel	9	21.9
Footwear	2	4.9
Wood	4	9.8
Other manufacturing	15	36.6
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

On average the majority of intermediaries interviewed had been working for 6 years, with the number of years worked ranging from 1 year to 30 years. Intermediaries therefore tend to have stable and long term relationships with the enterprises with which they cooperate. However, the majority of intermediaries work in absence of formal work agreements (see table 4). This means that the employment relationships between intermediaries and enterprises tends to be unclear and based to a large degree on trust. Despite the interpersonal relationships that exist between enterprises and intermediaries, the absence of a written contract leaves intermediaries vulnerable as certainty over job tenure is not guaranteed.

Table 4: Contract type of intermediaries

Contract type	Number	Per cent
Written contract	3	7.3
Verbal contract	24	58.5
No contract	14	34.2
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Intermediaries tend to have flexible working hours and work part time. As intermediaries tend to work part time, they often engage in more than one economic activity.

They work for an average of 4 to 5 hours per day for 5 to 6 days per week. They tend to work in split shifts, whereby they deliver materials to homeworkers in the morning and collect finished products in the evening. The working hours of intermediaries are highly dependent on the number of homeworkers under their coordination and the production capacity of the homeworkers. The intermediaries interviewed in this study worked with an average of 20 homeworkers, with the number of workers ranging between 5 and 50.

Box 3: Gender equality and intermediaries

The decision of and ability for women to participate in the labour force is related to various economic and social factors that interact in a complex fashion both within households as well as within the world of work. Gender attitudes of individuals have important implications for gender equality in the labour market.

The survey of intermediaries found that further efforts are needed to promote gender equality among this stakeholder group. For example, many of the intermediaries interviewed perceived women's obedience as important and that the education of boys was more important than girls (see table A).

Table A: Intermediaries' gender attitudes (%)

Variable	Agree	Disagree
A good wife obeys her husband even if she disagrees.	68.3	31.7
All important decisions in the family should be made by the husband.	19.5	80.5
When the wife goes to work, the husband should help with housekeeping.	78.0	22.0
The wife has the right to express her opinion even if the opinion differs from the husband's.	95.1	4.9
The investment for a boy to go to school is more important than the investment for a girl to go to school.	41.5	58.5

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

The intermediaries showed more supportive attitudes concerning gender equality in terms of freedom of expression and contribution to household task. However, the situation highlights that continuous effort to promote gender equality is needed so that both

women and men can have equal opportunities to develop to their full potential and they are empowered to take action to address challenges in accessing decent work.

Intermediaries are involved in setting their remuneration rates...

The income of intermediaries is usually based on commission or a margin based on the number of items or volume of goods that are produced by homeworkers. Table 5 presents data which explains that the majority of intermediaries interviewed in this determine their rates of remuneration themselves (43.9%) or they determine their rate together with the enterprise with which they cooperate (31.7%). This highlights that intermediaries interviewed in this study have a substantial degree of self-determination and bargaining power in determining their rates of remuneration.

Table 5: Determination of remuneration rates

Determination	Number	Per cent
Intermediary	18	43.9
Enterprise	10	24.4
Joint	13	31.7
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

.... and have experience in negotiating for higher levels of compensation.

In addition, the majority of intermediaries interviewed (61.0%) reported that they have engaged in negotiation with enterprises in regard to their level of remuneration (see table 6). Intermediaries who determine their rate remuneration rate jointly with their employers or have their rate determined by enterprises were likely to have negotiated for increases in their margins with enterprises. Intermediaries who determine their own rates of remuneration reported that they do not engage in negotiations with enterprises in regard to their overall level of remuneration.

Table 6: Negotiation of intermediaries with enterprises

Negotiation	Number	Per cent
Negotiated with enterprise	25	61.0
Never negotiated with enterprise	16	39.0
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

As intermediaries tend to work part time and their income is based on delivering the output of homeworkers to

enterprises, their income levels vary substantially. However, the majority of intermediaries interviewed in this study earned an income that was equal to or above the provincial minimum wage that was applicable within their area.

While intermediaries may receive an income that is in line with the overall level of the minimum wage, they are often responsible for covering their own operational expenses. That is, the transport and communication costs that are associated with coordinating between enterprises and homeworkers are usually the responsibility of the intermediary. This expense therefore reduces the overall take home pay of intermediaries.

As intermediaries have a direct relationship with the enterprise they employs them, they tend to know their employers. In addition, intermediaries tend to have a good knowledge of the markets for which they produce. For example, the intermediaries interviewed in this study reported that they commonly produce for provincial and national markets. However, 19.5% of the sample indicated that they produce goods for international markets (see table 7).

Table 7: Market Location for which intermediaries produce

Market	Number	Per cent
Province	14	34.1
National	19	46.3
International	8	19.5
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Intermediaries face challenges associated with uncertainty from enterprises

Intermediaries face challenges in undertaking their work from both enterprises and homeworkers. In regard to enterprises, intermediaries reported that the main challenge that they face is associated with the uncertainty of orders from enterprises, product defects and rush orders. In regard to working with homeworkers, intermediaries reported that the main challenges were associated with the timely completion of products, quality control and the low skill of homeworkers.

....and the low skill of homeworkers.

The challenges faced by intermediaries from enterprises and homeworkers are interconnected. Intermediaries receive rush orders from enterprises and are under pressure to deliver the products in a timely manner.

However, the low skill of homeworkers means that quality control is very important and that defective products often have to be repaired. This entails delays in the delivery of goods to the enterprise and may result in punishment for the late delivery of products or defective products.

In order to reduce product defects and reduce the time needed for quality control, intermediaries may provide instructions or training to homeworkers. Results from this study show that 65.9% of intermediaries interviewed provide instructions or specifications to homeworkers, while 34.1% did not (see table 8). Provision of instruction and training to homeworkers may help to reduce the challenges that intermediaries face in undertaking their work. Provision of training generally leads to the improvement of skills and productivity among workers, which would be of benefit to intermediaries.

Table 8: Provision of instructions to homeworkers

Instructions	Number	Per cent
Instructions provided	27	65.9
Instructions not provided	14	34.1
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Box3. Intermediaries and homeworkers

The work arrangements of intermediaries and homeworkers tend to be largely informal. Intermediaries generally provide remuneration to homeworkers based on a piece rate system and the rate of remuneration of homeworkers tends to be determined by intermediaries or by the enterprise with which the intermediary works rather than the homeworkers themselves (see table A).

Table A: Determination of homeworkers' remuneration rate

Determination	Number	Per cent
Determined by the intermediary	27	65.9
Determined by the enterprise	11	26.8
Determined by the homeworker	3	7.3
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

As intermediaries are involved in determining the remuneration rates of homeworkers, homeworkers often try to bargain with them. In particular, 24 of the 41 intermediaries that were interviewed in their study stated that homeworkers had tried to negotiate with

them on wages (see table B). It was more common for the intermediaries interviewed in this study to bargain directly with individual homeworkers rather than with a group of homeworkers.

Table B: Intermediaries' experience in negotiating with homeworkers

Negotiation	Number	Per cent
Individual homeworker negotiation	20	48.8
Collective homeworker negotiation	4	9.8
No negotiation	17	41.4
Total	41	100.0

Source: ILO (2015) ILO survey of intermediaries, ILO Country Office for Indonesia and Timor-Leste, Jakarta.

Recommendations

The survey of intermediaries has highlighted the characteristics of these workers and described their attitudes towards gender equality, their working conditions and how they interact with the enterprises and homeworkers with whom they cooperate. Intermediaries provide a coordination mechanism between homeworkers and enterprises. They often determine the remuneration rates of homeworkers and have experience in bargaining for better working conditions for themselves. However, intermediaries have precarious working conditions and face challenges from both enterprises and homeworkers in the world of work. Their earnings are better but they also face a number of challenges in accessing decent work. In promoting decent work for homeworkers in Indonesia, it is important to have a good understanding of the roles that intermediaries play and work towards addressing decent work deficits of all workers in the supply chain. In this effort, the following recommendations are provided:

1. Collect data on intermediaries

Intermediaries are generally perceived to be better off economically, and this study showed that their income was above the provincial minimum wages, intermediaries too face a number of challenges such as irregular or rush orders and informal work arrangements with no work security. In order to promote decent work for homeworkers and intermediaries, it is important to collect data to identify negative aspects associated with their work so that actions to address them can be planned appropriately. The data collection may be done through national labour surveys or small-scale studies. Employers engaging intermediaries could also map their

supply chain to obtain a clear understanding on how different actors are engaged and under which conditions.

2. *Initiate dialogue to regulate intermediaries*

Intermediaries and the homeworkers with which they work remain mostly invisible in the world of work. The low level of awareness on these workers leaves ambiguity on their roles and responsibilities in value chains, and intermediaries also largely operate with informal arrangements with limited access to legal and social protection. There is a need to have a clear understanding on the role of intermediaries in value chains. This includes clarifying the responsibilities of intermediaries in laws and regulations. Representatives of employers, intermediaries, as well as homeworkers should take part in this process. This will allow employers and buyers to have a better understanding on the requirements for engaging intermediaries while ensuring labour standards compliance. This will also allow intermediaries to have a better understanding on their rights and responsibilities to promote decent work.

3. *Promote decent work and responsible practices by employers engaging intermediaries and homeworkers and by intermediaries engaging homeworkers*

Employers and intermediaries can play a key role in promoting decent work for homeworkers by promoting responsible practices for engaging homeworkers. Some of the actions that employers and intermediaries can take to promote decent work are as follows:

- Train homeworkers on occupational safety and health, as well as skills related to production of goods and services.
- Develop mechanisms to monitor the working conditions of homeworkers engaged in their value chain (e.g. recording of hours worked, wages paid, etc by all parties).
- Promote gender equality and non-discrimination at work and throughout the value chain.

4. *Raise awareness on labour standards, including wage policies*

Compliance with labour standards is an important aspect of promoting decent work for all. Intermediaries, along with enterprises, are involved in determining the remuneration rates of homeworkers. While intermediaries tend to receive an income that is close to minimum wage, many homeworkers receive levels of remuneration that are below this benchmark. In this context, the establishment of a clear mechanism for determining piece-rate wages in the context of home

work should be considered. A range of methods to calculate piece-rates already exist and could be adapted and applied by intermediaries and enterprises that engage homeworkers. Having an agreed piece-rate wage can help to protect homeworkers from unfair treatment and exploitation, and also contribute to eliminate unfair competition among intermediaries and enterprises.

5. *Raise awareness on gender equality*

Promotion of gender equality within households as well as in communities can help to empower women in the world of work. It is recommended to raise awareness on gender equality so that both women and men can take action to improve their living and working conditions by addressing negative aspects associated with their work.

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