

# Labour conditions in IKEA's supply chain

Case Studies in India,  
Bulgaria and Vietnam

Esther de Haan  
Joris Oldenziel

SOMO, 2003



# Index

INTRODUCTION TO THE RESEARCH.....	5
INTRODUCTION TO IKEA .....	6
IKEA’S CODE OF CONDUCT AND MONITORING SYSTEM .....	9
Monitoring and verification mechanisms for IKEA .....	10
Procedures for internal monitoring: .....	10
Stakeholder involvement: .....	10
Internal auditing: .....	11
External verification: .....	11
Non-compliance and corrective action:.....	12
Costs for the implementation of the code of conduct:.....	12
Transparency: .....	12
The ICFTU code compared with the code of IKEA: .....	12
CHAPTER 2: COMPANY STRUCTURE AND SUPPLY CHAIN .....	14
Suppliers .....	14
Latest developments on the production locations: .....	15
South Asian region.....	15
Eastern Europe .....	15
Russia.....	16
Poland .....	17
CHAPTER 3: CASE STUDIES .....	18
Interview methodology .....	18
Confidentiality .....	18
3.1 INDIA .....	18
Overview of IKEA’s activities in India .....	19
Overview of the industry .....	19
Research .....	19
Summary of the findings and violations of IWAY code and ICFTU standards.....	19
Employment is freely chosen .....	20
There is no discrimination in employment .....	20
Child Labour .....	20
Freedom of Association and the right to collective bargaining .....	20
Wages.....	21
Hours of work are not excessive .....	22

Working conditions are decent .....	23
Housing facilities .....	23
The employment relation is established .....	24
Environment .....	24
Other issues .....	24
3.2 BULGARIA.....	24
The sourcing of products in the CEE region through buy-back arrangements.....	25
Consequences of buy-back arrangements .....	25
Overview of the woodprocessing industry .....	26
Profile of the wood processing and furniture industry. ....	26
Research .....	28
Employment is freely chosen .....	28
There is no discrimination in employment .....	28
Child Labour .....	28
Freedom of association and the right to Collective Bargaining .....	28
Wages.....	29
Hours of work are not excessive .....	30
Working conditions are decent .....	30
The employment relationship is established .....	31
Other issues .....	32
3.3 VIETNAM .....	33
Overview of IKEA’s production in Vietnam .....	33
Garment and textile sector in Vietnam .....	33
Characteristics of garment and textile sector of Vietnam .....	34
Ceramic and porcelain products of Vietnam .....	34
<i>Research methodology</i> .....	34
<i>Summary of the findings and violations of the IKEA code and the ICFTU standards</i> .....	35
Employment is freely chosen .....	35
There is no discrimination in employment .....	35
Child Labour .....	36
Freedom of association and the right to Collective Bargaining .....	36
Wages.....	36
Hours of work are not excessive .....	36
Working conditions are decent .....	37
The employment relationship is established .....	37
Other issues .....	38
 CHAPTER 4. CONCLUSIONS .....	 39

## **Annex 1**

[\*The IKEA Way on Purchasing Home Furnishing Products i\*](#)  
[\*IWAY standards iv\*](#)

## **Annex 2**

[\*Initial agreement between IKEA and the IFBWW xiii\*](#)  
[\*Revised agreement between IKEA and the IFBWW xvii\*](#)

## **Annex 3**

[\*ICFTU base code xx\*](#)  
[\*Comparison of IKEA standards with ICFTU model code xxvi\*](#)

## **Annex 4**

[\*India xxvii\*](#)

## **Annex 5**

[\*Bulgaria xxxviii\*](#)

## **Annex 6**

[\*Vietnam I\*](#)

## Introduction to the research

Following allegations in the press about bad working conditions in facilities producing for IKEA, the Nordic Federation of Building and Wood Workers (NFBWW), making use of the public pressure, approached in the fall of 1997 IKEA to discuss the publicly raised concerns. In 1998 IKEA signed a framework agreement with the International Federation of Building and Wood Workers (IFBWW) on rights of workers, as well as a separate child labour code. Due to public and trade union pressure IKEA finally developed a code of conduct, called the “IKEA Way on Purchasing Home Furnishing Products” in which it states that it expects its suppliers to respect fundamental human and worker’s rights (such as no use of child or forced labour and discrimination, respect for freedom to organise and collective bargaining), to treat their workforce fair and with respect. However, IKEA provides very little information about the implementation of these standards, to what extent they are put into practice, and how compliance is monitored. Trade unions and NGOs call for independent verification of the implementation process. As long as there is no possibility to independently verify the efforts of IKEA, trade unions and NGOs still question whether IKEA is actually improving the working conditions, or whether their code of conduct is just a public relations tool.

It is for this reason that SOMO was asked by the Dutch trade union FNV to undertake research on IKEA. In order to obtain a general picture of the company, a company profile was made, outlining the structure of the company, its production chain and its strategies. The second phase of the research consists of research at the production facilities in the production countries. SOMO has chosen to undertake, in cooperation with local researchers, case studies in India, Vietnam and Bulgaria.

## Introduction to Ikea

IKEA was officially founded in 1943 as a trade firm by Ingvar Kamprad, who was 18 years old at the time. IKEA stands for Ingvar Kamprad, and the name of the farm, Elmtaryd, and parish, Agunnaryd, where he grew up. In 1947 IKEA became a mail order company. It was not until 1950 that furniture formed an important part of the products sold by IKEA. The sales concept soon consisted of the unique mix of the use of a showroom, a catalogue and a low price combined with a reasonable quality. The first furniture catalogue dates from 1953, a year in which a turnover of 1.5 million guilders was realised, to be doubled in the next two years. In the fifties IKEA started designing its own furniture, a revolution in the branch. The idea of self-assemble furniture came into existence at the end of the fifties, although the 'self assembly flat packs' did not seriously take off until the beginning of the sixties.

At the end of the fifties the major part of the concept was developed: furniture models of own design, close cooperation with suppliers, self assemble furniture in flat packs, catalogues in huge numbers combined with a store where goods are shown, and an extreme cost consciousness that together with the huge amounts made it possible to keep prices low.

In reaction to IKEA's low prices, however, the Swedish furniture industry organised a boycott and appealed to all furniture suppliers not to deliver to IKEA. The boycott and following delivery problems were the reason why IKEA started developing its own furniture and started looking abroad for new buying sources. This search led IKEA to Poland, where it started buying furniture at the end of 1960/ the beginning of 1961. Since then, Poland is one of IKEA's biggest supply countries. Later on, other countries from the Eastern Bloc, among which the Czech-Slovak Republic followed.

In 1963 IKEA opened stores in Norway and soon Denmark followed (1969). In the seventies IKEA went through an enormous expansion: turnover rose from around 100 million guilders in 1969/70 to 3.6 billion guilders in 1979/80. The number of employees increased from a few hundred to around 4000 and the number of stores rose from six to around 30. The expansion in the rest of Europe started in 1973 with the opening of a store in Switzerland. Germany, Austria, the Netherlands (1979), France and Belgium soon followed. In 1976 it opened its first store outside Europe, in Canada, and during the late 1970s and early 1980s, it entered Australia, the Canary Islands, Hong Kong, Iceland, Kuwait, Saudi Arabia, and Singapore. IKEA opened its first store in the United States in Philadelphia in

1985. After that, further expansion in Europe took place, stores opened in Great Britain (1987) and Italy (1989). Outside Europe, a store in Shanghai (\$10 million investment) opened in 1998

By 1991 there were seven outlets in the US and 95 total in 23 countries. Since 1990 stores were also opened in the former Eastern bloc countries: e.g. Hungary, Poland, Czech and Slovakia.

IKEA's growth strategy is directed towards reaching twice the size the company now has in the next ten years. The focus now is, as in the past few years, on expanding the market in China and Russia. New markets will be Japan and Portugal.

In China there now are two stores, one in Beijing and one in Shanghai. In Russia there are two stores as well, in March 2000 the company opened its first store in the Moscow region (in Khimki). The second Russian store - located next to Eastern Europe's biggest shopping and entertainment centre, the 150,000-square-meter Mega Mall developed by IKEA - opened in southern Moscow. IKEA received a \$100 million loan from the European Bank for Reconstruction and Development to develop Mega<sup>1</sup>. IKEA does not reveal the amount of money they invested themselves in the Mega Mall. A third store, the St. Petersburg store, is due to open at the end of 2003. In total there are 5 stores planned in the Moscow region and two in St. Petersburg.

The IKEA Group sells furniture and relating housing products through 175 stores in 31 countries with 70 000 staff members, of which 154 stores in 22 countries are owned by IKEA, and the other stores are franchisees.

Top five sales countries <sup>2</sup>	
Germany	21%
USA	13%
United Kingdom	12%
France	9%
Sweden	7%

<sup>1</sup> The Moscow Times (2002), Eastern Europe's Largest Mall Opens on MKAD, December 17

<sup>2</sup> [http://www.ikea.nl/about\\_ikea/facts&figures/facts\\_figures.asp](http://www.ikea.nl/about_ikea/facts&figures/facts_figures.asp)

IKEA buys products of about 2150 suppliers, in 56 countries.<sup>3</sup>

Top five purchasing countries <sup>4</sup>	
China	14%
Sweden	14%
Poland	8%
Germany	6%
Italy	6%

<sup>3</sup> [http://www.ikea.com/about\\_ikea/code\\_of\\_conduct/suppliers.asp](http://www.ikea.com/about_ikea/code_of_conduct/suppliers.asp)

<sup>4</sup> [http://www.ikea.nl/about\\_ikea/facts&figures/facts\\_figures.asp](http://www.ikea.nl/about_ikea/facts&figures/facts_figures.asp)

## Chapter 1: IKEA's code of conduct and monitoring system

In 1998 IKEA signed a framework agreement with the International Federation of Building and Wood Workers (IFBWW) on rights of workers, as well as a separate child labour code. The (first) IFBWW/IKEA agreement (in annex 2) was based on the ICFTU model code. Part of the agreement was that a monitoring group would be appointed that consists of two members from IKEA and two members from the IFBWW. The monitoring group was mainly meant to assist IKEA on the development of a management system of securing international accepted labour standards and to develop good industrial relations between the suppliers and the IFBWW member unions. Visits have been done in Slovakia, Hungary, Romania, Poland, Malaysia and recently Thailand and Laos. The conclusions were that in general the labour conditions were found to be good with some exceptions.

The monitoring group has discussed several breaches of the agreement and good practices as a (still ongoing) training of shop stewards in Poland. In the fall of 2001 IKEA adopted its own Code of Conduct - IKEA Way on Purchasing Home Furnishing Products (IWAY code) - and following, in December 2001, the agreement between IKEA and the IFBWW was revised (annex 2), taking into account the IWAY code. The follow-up and co-operation between IFBWW and IKEA on the implementation of the Code of Conduct is continuing, focussing on several countries, health and safety and forestry. The IWAY code has been updated in December 2002 (annex 1).

In a document entitled IWAY Standard (Minimum requirements for Environment, Social & Working conditions and Wooden Merchandise) of December 2002, IKEA describes a staircase model which defines a 4-step approach aimed at improving the overall performance of the suppliers in the 3 areas; Outside Environment, Social & Working Conditions and Wooden Merchandise. This document (also in annex 1) includes the IKEA minimum requirements (level 2 in the Staircase Model). The start entry level has to be fulfilled to start deliveries to IKEA. Potential IKEA Suppliers - prior to starting a business relationship with IKEA - must fulfil the start-up requirements; no forced or bonded labour, no child labour and no wood from intact natural forests or high conservation value forests. Suppliers delivering IKEA products containing solid wood, veneer, plywood and layer glued wood must ensure a Forest Tracing System document is completed. The IFBWW is not happy with the start-up requirements and feel that the entry level for all suppliers must be to demonstrate compliance with the ILO core conventions; this cannot be left to the other levels.

Then an action plan to achieve level 2 is decided upon, to come to compliance with the IWAY code. To reach the following third level some additional standards have to be fulfilled such as 4SEA (supplier Environmental Assurance), 4wood (wood procurement and forestry) and 4SWC (social and working conditions). The final level can be reached through certification of official standards recognised by IKEA such as ISO 14001 and FSC.

### Monitoring and verification mechanisms for IKEA<sup>5</sup>

During the winter 2000/2001 IKEA trained 500 of its buying personnel with the trading organisations about the IKEA code. By the end of 2001, IKEA completed face-to-face visits to all its 2000 suppliers to explain its code of conduct. A questionnaire is sent to the suppliers, so the suppliers know what will be demanded of them and they can prepare themselves for the factory visit and see what kind of demands are placed on them. IKEA has set up an internal council, chaired by president Anders Dahlvig, to 'solve any difficult issues where a suppliers cannot or will not comply with the code'<sup>6</sup>

#### Procedures for internal monitoring:

IKEA has set up an International Compliance Organization (ICO); this is the support and monitoring group. The tasks of this organization is the support and training of Trading Service Offices (TSOs), random checks (in factories) and monitoring of TSOs, check whether there is harmonization and common ground from internal auditors. The TSO has the direct responsibility to support and monitor the suppliers. Each of the TSOs have been undergoing training, 10 weeks were spent on training.

It is, however, the normal business operation of IKEA, which has to put the code into practice, take actions and develop correction plans.

#### Stakeholder involvement:

IKEA has no structured dialogue with stakeholders, but they do communicate with various NGOs and trade unions around the world, such as save the children and UNICEF. NGOs and trade unions are not involved in the monitoring and verification processes other than through the agreement between IKEA and the IFBWW which foresees in a meeting twice per year where IKEA will inform on the progress of the implementation of its code for advice and comments from the

---

<sup>5</sup> Interview with Marianne Barner, Information manager of IKEA, 21 May 2001

<sup>6</sup> Ethical Performance (2001), IKEA completes talks on codes, December 2001, Volume 3, Issue 7

group. Should the IFBWW become aware of any contravention of IKEA's code, IFBWW will report this to the group which will review the matter and propose appropriate measures. Furthermore, the parties will at such meetings exchange general information and experiences within the field of subjects covered by the "The IKEA Way on Purchasing Home Furnishing Products".

#### **Internal auditing:**

IKEA shall conduct an IWAY Audit of the Suppliers premises. The IKEA supplier shall support on site audits conducted by either an IKEA Audit Team, an independent Auditor(s) or an Audit Organisation recognised by IKEA. In its IWAY standard, IKEA reserves the right to perform unannounced audits or inspections to verify that the IWAY requirements are fulfilled. It is also stipulated that the suppliers shall allow for confidential employee interviews and shall maintain and allow access to all documentation and records as required. Observations of areas requiring improvement found during the IWAY Audit will be presented in an audit report. Any new suppliers that IKEA intends to work with will be audited, according to IKEA.

The number of audits that have been done up to date is confidential. It is also unclear to what extent IKEA is making use of their right to perform unannounced visits and conduct confidential employee interviews.

Auditors checklists have been compiled, which include specific points that auditors have to look into when they audit for example on child labour. Auditors have to check the books, but also do visual checks. The results of the audits and the problem areas are put into a database.

#### **External verification:**

What is called external verification by IKEA is a part of their internal monitoring program. There is no external verification of the implementation of the code of conduct by parties that are independent from the company and have the credibility from all stakeholders involved, such as the workers, local NGOs and trade unions. A system of independent external verification would mean that it is set up outside of the company with independent parties and with the involvement of stakeholders, e.g. trade unions and other workers organizations.

External auditors are only hired when IKEA sees the region has a priority problem (child labour). In India IKEA works with PWC and KPMG, in Russia with Bureau Veritas. Another audit firm that is hired by IKEA is ITS. A report of the audit goes to the IKEA director.

### **Non-compliance and corrective action:**

IKEA does not immediately cut contracts when violations of the code are found. In the event of non-compliance, IKEA requires a corrective action plan, to be sent to IKEA within one month following the audit. However, within 24 months, total compliance is demanded from the supplier. This time period is provided to give the supplier the opportunity to take care of the needed investments. Also the so called 'difficult' suppliers will be assisted to implement the requirements of the code. IKEA will perform re-audits, as a minimum every two years, to ensure the IKEA suppliers maintain the required standards.

### **Costs for the implementation of the code of conduct:**

IKEA is financing the auditing (as they are performing the audits themselves), but the so-called true costs are to be borne by the suppliers. IKEA believes that it is both in the interest of IKEA and of the suppliers, to observe the standards of the code, in particular in the long term. IKEA believes in aid through trade and mutual profitability in the long-term. The suppliers do, therefore, not get a price compensation of IKEA in exchange of compliance with the code (IKEA has not changed its low price policy because of the implementation of the code). In Central and Eastern Europe and Asia, IKEA gives a long-term commitment in exchange for investments on the side of the suppliers.

### **Transparency:**

IKEA does not disclose the audit procedures, the number of audits, the results of the audits, the violations, the corrective actions nor the suppliers list. The reason IKEA gives for this lack of transparency is that the system is still very much in a developmental phase, and IKEA first wants to work out this system before they go public. First act, then talk, is the general idea. IKEA announced there will be a social report in mid 2002. So far however, no information can be found on social reporting of IKEA<sup>7</sup>. The IFBWW is receiving general information on the numbers and results of the audits.

### **The ICFTU code compared with the code of IKEA:**

The ICFTU code encompasses generally accepted labour standards: the core labour standards of the International Labour Organization (ILO) and several additional standards (freedom of association, right to collective bargaining, no discrimination of any kind, no forced or slave labour, a minimum employment age, health and safety measures, a maximum work week of 48 hours and

<sup>7</sup> In a meeting between IKEA, FNV and SOMO on the 27<sup>th</sup> of August 2003, IKEA announced that the report will be postponed until spring 2004.

voluntary overtime of 12 hours maximum, a right to a living wage and the establishment of an employment relationship). The largest differences between the IKEA code and guidelines and the ICFTU code are on wages. The IKEA code does not include the right to a living wage but states that suppliers must pay the legal minimum wage or the local industry standard. Also the ICFTU code mentions that the employment relationship should be established. The initial agreement between IKEA and the IFBWW mentioned employers' obligations to workers according to national labour legislation and regulations on social protection based on permanent employment must be respected. Apprenticeships that do not truly aim to provide knowledge must not be permitted. The parties shall work towards creating permanent employment. This provision was left out of both IKEA's code and the standards.

## Chapter 2: Company structure and supply chain

The IKEA furniture retailing group is in private hands and thus not quoted at the stock exchange and therefore IKEA does not have to publish a public yearly report. Since 1982 the IKEA group is owned by a foundation in the Netherlands, Stichting Ingka Foundation

The IKEA Group sells furniture and relating housing products through 175 stores in 31 countries of which 154 stores in 22 countries are owned by Ikea, and the other stores are franchisees.

IKEA announced the moving of its head office to the Netherlands in the year 2001, presumably because of the favourable Dutch tax regime for holdings (which stipulates that the transfer of interest, dividend and royalties by foreign subsidiaries to the holding is not taxed)<sup>8</sup>. The Ingka Foundation, that owns IKEA International, was already located in the Netherlands for tax reasons.

### Suppliers

IKEA works with about 2150 suppliers. The amount of subcontractors of their suppliers is unknown by IKEA, as mentioned by Marianne Barner<sup>9</sup> Ikea has increased its purchasing from developing countries from 32 to 48 per cent over the past five years in its relentless drive to keep prices low.<sup>10</sup> 29% of the production of IKEA comes from Asia, 67% from Europe with 15% from Eastern Europe and 4% from the US.

<sup>8</sup>Het Parool (2001), IKEA vestigt hoofdkantoor in Nederland, January 20

See also: Richard Heller (1999), Tax the bastards!, in Forbes Global, January 25

“Sweden subjects its most productive citizens' earnings and wealth to a barrage of taxes...To avoid such confiscatory taxation, successful Swedes have long been taking themselves and their companies out of the country. The typical deal worked like this: you'd set up a new company in the Netherlands. Your new Dutch company would buy your Swedish company for book value. There'd be a 30% Swedish capital gains tax, but on the relatively small difference between the business's cost basis and its book value. Once domiciled in Amsterdam, your holding company would pay a higher corporate tax rate (35% versus 28%). However, it would pay no taxes on cash dividends, stock dividends, and foreign exchange gains -- and zero capital gains taxes, if you decide to cash out of your business. The Dutch don't tax capital gains. (Bear in mind that if you personally move to the Netherlands, the top marginal income tax rate is 60%)”.

<sup>9</sup> Marianne Barner, information manager of IKEA, in an interview on May 21, 2001

<sup>10</sup> Terry Slavin (2001), Trying to assemble a perfect reputation, The Observer , November 25

For years Poland was the 2<sup>nd</sup> largest supplier for IKEA, with Sweden at the top. Since then we see an accumulation in the production in China. Now Poland (8% of production) is on the third place with China (14% of production) and Sweden (14% of production) on a shared first place. Germany and Italy both account for 6% of the production.

#### Latest developments on the production locations:

IKEA continues to aim for increased efficiency and decreased costs of its production system and supply chain. That means IKEA is continuously searching for new areas and new locations. Some of the latest developments in the supply chain of IKEA are the following:

- Increasing sourcing from production facilities of suppliers in India, Bangladesh, Pakistan and Sri Lanka.
- Increasing production in China
- Focus on Russia as supplier of raw materials and producer
- Increasing buying volumes but decreasing the amount of suppliers

#### South Asian region

In December 2001 IKEA announced plans to increase its purchasing investment in the South Asian region to US \$350 million. IKEA sources in this region (India, Pakistan, Bangladesh and Sri Lanka) the majority of its supplies of machine-made textiles, rugs and carpets, handloom textiles and upholstery as well as metal and some leather products. Half of the carpets sold by IKEA are manufactured in India. Almost 25% of the handloom sector in Karur (in Tamil Nadu) is exported by the company.<sup>11</sup>

The company currently has 135 suppliers in the South Asian region, however IKEA plans to bring down to 100, according to the regional manager of IKEA Trading (India), Ms Helen Duphorn.<sup>12</sup>

#### Eastern Europe

IKEA has made rapid inroads into Eastern Europe. Expansion has not been only confined to the retailing side of the group's business. The region is also quickly becoming a *major sourcing ground* for a diverse range of IKEA products. The

---

<sup>11</sup> Nina Varghese (2001), India: Ikea plans to source more from S. Asia, Business Line, December 6.

<sup>12</sup> Nina Varghese (2001), India: Ikea plans to source more from S. Asia, Business Line, December 6

trend seems to be an increasing expansion of production in Central and Eastern Europe, CIS countries, Republics and Russia.

## Russia

According to an article of September 2002, IKEA wants to invest US \$200 million in Russian suppliers of material for the company's furniture plants, US \$600 million for the next 5 years.<sup>13</sup> The company buys annually US \$60 million worth of materials in Russia but is planning a 10 fold increase in purchase of materials for furniture production from Russian companies. IKEA will not build furniture plants in Russia.

IKEA now has fifty suppliers in Russia. The company forecast is that the next 5-7 years will see that number climb to 200-250 enterprises engaged in all forms of activity. The main goods IKEA is buying in the regions is commodity wood or stocked wood (pine, knotty birch, larch and aspen), from which 70% of the company's furniture is made. The other purchases are cabinet-type furniture, cushioned furniture, including mattresses, textiles, plastics and metal constructions.

The company has three purchasing offices in Russia, one each in Moscow, St. Petersburg and Novosibirsk. There are plans to open another one between Novosibirsk and Vladivostok.<sup>14</sup> It is IKEA's strategy to use Russia as a production centre for its worldwide network, IKEA Russia chief Lennart Dahlgren said: "We know that Russia is the biggest supplier in the world of every kind of raw material that we need for IKEA products - different kinds of wood, the oil for plastic, the aluminium, the china and textiles. There are enormous factories from the Soviet times that could produce enormous volumes - and that is exactly what IKEA needs. We are trying to make Russia one of the main suppliers for IKEA globally," he said.<sup>15</sup>

In August 2002 Swedwood, the international division of IKEA, opened its first manufacturing plant in Russia, in the town of Tikhvin in the Leningrad region, 200 kilometres Southeast of St. Petersburg. The plant plans to process 150,000 cubic meters of timber per year and produce 30,000 cubic meters of furniture components for IKEA factories located in Sweden and central Europe, with further plans for the manufacturing of furniture for the international retail

<sup>13</sup> Eurasian Business Report (2002) 200 MLN in Russian Suppliers, , September 23

<sup>14</sup> Business Report (2002), IKEA to up product purchases in Russia to annual \$600 mln in next 5-7 years, May 15

<sup>15</sup> The Moscow Times (2002), IKEA to use Russia as a network hub, February 12

giant. According to an official company statement, the plant will begin the production of finished furniture goods, such as small IKEA tables, by the end of 2002, the St. Petersburg Times reported.<sup>16</sup>

## Poland

Poland has been the first country outside Sweden to supply IKEA - since 1961. For many years Poland was IKEA's second largest supplier, with Sweden on top. Now Poland has been dislodged to the third position by China, which provides 14% of the total supplies in Ikea shops, the same amount as Sweden. Through the Swedwood group, Ikea owns furniture plants and sawmills in Poland. A full 95% of the company's production is exported.<sup>17</sup>

Among IKEA's biggest Polish suppliers are Adriana (upholstered furniture), Cimir (sofas) and Hozwerk (palettes and pine furniture). It is estimated that 20 thousand jobs in the furniture industry in Poland stem from IKEA orders.<sup>18</sup>

---

<sup>16</sup> <http://www.furnituredays.com/ikea.html>

<sup>17</sup> Poland Business Review (2002), Swedish retailing giant Ikea intends to open another four stores in Poland by 2005, May 14

<sup>18</sup> Polish News Bulletin( 2002), IKEA to Boost Orders & Investment in Poland, May 7

## Chapter 3: Case studies

The researches carried out were looking at working conditions in three or four suppliers and subcontractors of IKEA in each country. The research included:

1. Short overview of national legislation on standards in IKEA code and extra standards ICFTU code. General situation and problems within the industry (for example wood, textile, pottery, etc.) and in the specific company as far as known to be used for the analysis of the research findings.
2. report on each factory containing: general information about the supplier, working conditions in each factory, on the basis of interviews with approximately 10 workers per factory (based on questionnaire), and if possible: factory tours and management interviews.
3. Summary of the findings in each factory related to standards mentioned above.
4. Summary of violations of the 8 standards by IKEA suppliers.

### Interview methodology

In the factories producing for IKEA workers were interviewed by trained researchers. The questionnaire that was used to interview the workers has been developed by SOMO and has been adjusted to the local circumstances in all three countries. The questionnaire aims to cover the standards laid down in IKEA's code of conduct and where there are differences with the ICFTU base code also the ICFTU code.

### Confidentiality

The names of the factories will not be disclosed in this report. It would not be in workers interests for these individual factories to be identified. Sufficient levels of organization of workers do not exist in most of the factories to deal with possible repercussions. The information should not be used to penalize the contracting factories thus victimizing the workers. The number of factories investigated suggests that the violations of fundamental labour rights are not an isolated phenomenon.

### 3.1 India

#### Overview of IKEA's activities in India

IKEA, planned to increase its purchasing investment in the South Asian region from \$ 300 million in 2001 to \$ 350 million in 2002, according to Ms Helen Duphorn, Regional Manager, Ikea Trading (India) Ltd. In the South Asian region (India, Pakistan, Bangladesh, and Sri Lanka), IKEA sources the majority of its supplies of machine-made textiles, rugs and carpets, handloom textiles and upholstery products. The company also sources metal and some leather articles. In December 2001, IKEA had 135 suppliers in this region, which it plans to bring down to 100, according to Ms Duphorn.

Half of the carpets sold by Ikea are manufactured in India. Ikea is one of the largest textile exporters in India. In the handloom segment, almost 25 per cent of the produce from Karur (in Tamil Nadu) is exported by the company. In the past two years, Ikea has increased its purchase of metal products from the country. Ikea has no plans to retail in India in the near future.<sup>19</sup>

#### Overview of the industry

The factories that were researched were all textile producing factories. The textile industry together with the garment industry contributes to 20 per cent of the industrial output in India. It is India's largest net foreign exchange earner. According to data compiled by DGCIS, Kolkata, exports of cotton yarn, fabrics and made-up (including handloom) during the year 2000-2001 was Rs. 159877.1 million. The Indian textile export industry is mainly located in Delhi, Panipat, Karur, Jaipur, Ludhiana, Mumbai, Bangalore and Chennai for made ups.

#### Research

The three factories that were reviewed were situated in Panipat and Jaipur, Rajasthan. The research was conducted in May and June, 2002. All three factories confirmed that IKEA was one of their major buyers. The researchers were also able to enter the factory and to confirm that these factories worked indeed for IKEA. On confirmation workers were interviewed at places away from the factory premises and sometimes at the homes of the workers.

#### Summary of the findings and violations of IWAY code and ICFTU standards

Most of the workers that were being interviewed were being hired through a contractor and working on piece rate.

---

<sup>19</sup> Nina Varghese (2001), India: Ikea plans to source more from S. Asia, Business Line, December 6

### Employment is freely chosen

In one of the factories, *factory 3*, there is evidence that the workers are forced to work for the company. Part of the workers is recruited from the “state of Bihar and Bengal and are captive workers”. “In a number of cases cash advances are given to these workers when they are recruited. This binds them to the contractors and they cannot leave. Cases have been cited where some workers did not want to continue working and they ran away. However, they were caught and beaten because advances were outstanding against their name.” This is very clearly a violation of IKEA’s code.

### There is no discrimination in employment

There is no evidence of discrimination in regard to caste or religion, according to the researchers in India. In two factories there is evidence that women workers get paid less than their male colleagues and in *factory 2* the workers interviewed mention that women do not have supervision jobs. There is evidence in *factory 1* of women getting paid less for the same jobs. Discrimination on account of gender is in violation of the IKEA code.

### Child Labour

There is no indication of child labour in the factories. One of the supervisors of *factory 1* very specific mentions that IKEA has stopped giving orders before to this factory because of occurrence of child labour. There is no child labour anymore now, and IKEA is working with this factory again. In *factory 2* there is a notice that states that workers under the age of 18 need not apply and in *factory 3* the workers have to prove their age with an affidavit or school certificate.

### Freedom of Association and the right to collective bargaining

In all of the factories the workers are discouraged to form or join unions. In *factory 1* workers who voice their grievances are dismissed as they are viewed as potential troublemakers. In *factory 2* the workers tell that unions are not encouraged and any dissent means termination of the job. “The interviewed workers mention that the owners inform the contractor not to keep the workers who they see as trouble makers or those who would like to organise together. The contractor in a couple of the month’s time slowly breaks the group by not giving jobs to such workers.”

One incident quoted by the workers was that one worker had an argument with a supervisor on a job related matter. Some of the workers got together to support

the worker. These workers were picked out by the Management and discharged from the job over a period of time.

This is in clear violation of IKEA's code which states that the supplier shall respect the rights of all personnel to form and join a workers association and to bargain collectively in a lawful and peaceful matter. [...] This implies that the supplier, or any representative of the supplier, shall not actively prevent the forming or joining of such workers' organisations.

### Wages

In all factories there are workers whom are earning below the minimum wage for a 48 hour work week, especially the workers that are hired through a contractor and/or are earning money for the amount of pieces they make: piece rate. No statutory deductions are made; Provident Fund, Employee State Insurance which provides for medical facilities, hospitalisation pension.

In *factory 1* the workers on piece rate are employed through a contractor. Although the minimum wage for an unskilled worker is 2050 Rs. per month, and for a skilled worker 2310 Rs. per month, the workers on piece rate earn about 50-60 Rs. per day. In lean months they can earn as little as 500 Rs. per month. Even the regular workers get less than the minimum, 1900 Rs. per month in 2002. The workers get no pay slip so cannot check the payment. Recently one of the contractors has run off with the money for the worker's wages for a month, the workers have not been paid this amount, although, according to the law, the responsibility lies ultimately with the factory owners.

In *factory 2* the workers tell they do not get a salary slip to indicate what they are entitled to and what rate they are being paid. They keep their own records and very often there is a mismatch, especially for those hired through a contractor. The workers do not dare to complain. Most of the salaries are paid in time, but those workers working through a contractor sometimes do not get paid until 1 ½ month later. In this factory the workers on fixed salaries are paid above the minimum wage, but the piece rate workers under the minimum wage. The workers have no paid holiday and for every kind of leave taken, sick leave, maternity leave etc. the salary is deducted.

For *factory 3*, the minimum wage in this state for an unskilled worker is 2050 Rs. per month, for a skilled worker 2310 Rs. per month. The piece rate workers tell they earn approximately 1500 Rs. per month, based on the amount of work they do. Workers tell they can make about 80 Rs. per day for 12 hours work. Women

workers tell they get even less, about 40 Rs. for an eight hour working day. The workers also have no paid holiday and indicate that sometimes they have not received money for three months at the time.

### Living wage

The workers who live in the dormitories, the colony, get in *factory 1* free accommodation and oil and soap once a month. A worker from both *factory 1 and 3* spends on average 1000 Rs. on food and the rest is sent to his family. The workers in *factory 2* mention they would need about Rs. 4000 to meet their daily needs and send some money home, an amount they can only make when working a lot of overtime.

It is clear that all factories are in violation of the IKEA code on the issue of paying at least the minimum wage or the industrial standard for a standard working week and providing all legal mandatory benefits. Also not all the wages have been paid and not always on time.

### Hours of work are not excessive

In all the factories there is overwork and workers work 6 ½ to 7 days per week.

There is a lot of overwork in *factory 1*, the workers are working 6 ½ day a week. Regular workers on monthly payroll will get overtime at normal salary rate and not twice salary rate as provided by law. There is no overtime concept for piece rate workers as they are paid what they make. Depending on the job requirements the workers work 12-15 hours per day. When workers are doing overtime in the evening, for example in 2001 they had to work a lot of evenings, they find it difficult to go home late at night so they sleep in the factory and start working again in the morning. In *factory 2* the workers tell that if they refuse overtime they risk losing their job, which in fact means forced overtime. They often work from 9:30 a.m. to 8:30 p.m., although they should work officially until 6:30 p.m., without overtime payment. They are only paid overtime when working very late and at the normal rate. During peak season the workers are doing 60-70 hours per week and if there is work they will work 7 days out of 7. In *factory 3* the workers work 6 ½ day per week; 60-70 hours per week.

This is in violation with IKEA's code which states that IKEA cannot support business partners who require their personnel to work more than sixty hours per week on a regular scheduled basis and that personnel shall at least be allowed one day off in seven and not exceed the legal limit. Also the overwork should be

compensated in accordance with legal requirements. The above is also in violation with the law which states that the workers can work 50 hours overtime in three months. Anything above that needs approval from the labour inspector's office. This permission is however never asked for according to the researchers. The law provides for double wages for overtime. The working hours should not exceed 48 hours in a week and 9 hours in a day. The total hours in the factory including rest interval should not be spread over more than 10 ½ hours in a day. Every worker is to be given one holiday-day in a week. If a worker works on a holiday he is allowed a compensatory holiday for each holiday so lost within the same month.

### **Working conditions are decent**

In *factory 1* the workers do not wear protection gear, are only made to wear uniforms when buyers are visiting, the factories are only cleaned when buyers are visiting, the bathrooms are dirty, there are no fire drills nor is there fire training. The workers are physical abused for making minor mistakes.

In *factory 2* there are no proper fans or coolers. The workers are shouted at and rebuked for minor or major faults. The security does not permit the workers to have a visit even in cases of emergency. There are water coolers, clean toilets, fire drills and a first aid box, although the latter is not easy to access.

In *factory 3* there are no adequate water coolers, the water is perceived as unclean by the workers, the bathrooms are dirty, the workers do not get refreshments or food when working overtime, accidents happen in the factory. There is a first aid box and a doctor visiting the factory every day; there is a free medical clinic and the factory runs a school for educating workers children.

This is not in accordance with the IKEA code which states that suppliers shall provide employees with a healthy and safe working environment that complies with local laws and regulations, clean drinking water and clean facilities, protective equipment etc. Also the code mentions that suppliers are not allowed, under any circumstances, that suppliers engage in or support the use of corporal punishments, threats of violence, or other forms of mental or physical coercion or disciplinary actions.

### **Housing facilities**

The interviewers visited the living quarters of *factory 1*. They were not able to enter those of another factory of the same owner because of security guards posted. The security guards prohibit strangers from entering the premises. They

also watch the movement of the workers. The factory had some 40 rooms in the colony. For a married worker with family, one room is provided. Otherwise 4-6 workers share a room. The rooms were not clean, the bathrooms were dirty. The drains were open and clogged. The electric wires were hanging loose and looked very dangerous. Each room had a single bulb connection. The workers had to arrange for their own fans.

The IKEA code states that if housing facilities are provided reasonable privacy, quietness and personal hygiene should be ensured.

### **The employment relation is established**

In none of the factories are letters of appointment or wages slips provided, neither by the factory, nor by the contractor which is a violation of the ICFTU code. In *factory 1* the workers sign the receipt of the wages on a register. By law every worker should be given a letter of appointment and salary slips and therefore the above is in violation of the IKEA code as well.

### **Environment**

Chemicals are released from a dyeing unit without being purified.

### **Other issues**

Workers are told that they should never talk to the buyers. The IKEA code is not displayed nor do the workers know about code of conducts and what it entails. In *factory 3* evidence suggest that part of the factory is closed off whenever buyers visit, as if the buyers are not to see this specific part of the factory. Workers working here are turned away from the gate when they have not begun work, when buyers are present in the factory.

Workers at *factory 2* told the researchers that they themselves were not considered as human beings by the factory management.

## 3.2 Bulgaria

### The sourcing of products in the CEE region through buy-back arrangements

In purchasing arrangements with independent suppliers in the CEE region, many of the contracts are structured by Zurich-based IKEA East and Central Europe. The bulk of these deals are co-operation arrangements. Sometimes these co-operation arrangements are organized through a leasing mechanism. Many of the product sourcing arrangements are coupled with the supply of equipment and machinery to production enterprises, in the case enterprises want to upgrade their production processes and improve quality. In these cases IKEA arranges for the import of the equipment needed by the enterprise and structures a buy-back contract to cover repayments. IKEA then makes loans available to the enterprises. Equipment is sourced by IKEA from a selected group of western European companies. Such deals are usually spread over a three-to eight-year period, depending on the size of the deal. IKEA generally enters into a new product purchasing contract after this.

At present the company is involved in around 100 buy-back accounts. These arrangements are often used in Romania as well as in Bulgaria. In addition the company has similar deals with enterprises Russia and Ukraine.

### Consequences of buy-back arrangements

Through the buy-back agreements, suppliers become dependent on IKEA as they are client and investor, and carry all the risks. In the Swedish TV documentary on IKEA (1998), two cases of Romanian factories were shown wherein the factories paid back the investments, IKEA had provided, in furniture. The downside effects of this dependence on IKEA were especially highlighted. The price of the products was dictated by IKEA and orders switched to less profitable product groups for the supplier. The suppliers were shown to be in a vulnerable 'squeeze-out position'. In Vietnam, a factory owner did not dare to lend assistance to the critical TV documentary maker, because he was in great debt with IKEA and feared bankruptcy if IKEA would pull back orders.

The researchers reported on different production locations that IKEA offers good conditions towards the suppliers when they start working with them; that they give loans at very good conditions; and give large orders. Factories that want to cease production for IKEA can encounter difficulties, as has been described above. The production for IKEA mostly consists of simple products, not very complicated to make, for which they get low prices that are very close to the costs of production: they can not yield more than 10% profit.

In one of the factories researched it becomes clear that IKEA gives loans - paid off by production. IKEA offers good conditions in the sense that they give big orders, a relatively long time in advance, so that the production can be well organised without much overtime. Employees not necessarily know if they work for IKEA. They usually know this only from the lorries that leave their company premises. In a company that produces only for IKEA it is commonly known to everybody, but in the companies that also produce for others, it is not clear to the workers. The Sofia office makes regular, unannounced checks - though it was obviously known in advance to the managers, as reported by them in one factory.

### **Overview of the wood processing industry**

The wood processing industry is a sub-sector of the light industry sector in Bulgaria. The light industry is the oldest industrial sector in the country (in 1834, in Sliven, the first factory making wool textile opened). The production infrastructure that was established during the plan economy period is relatively well developed. Most of the Bulgarian producers are making quality goods, according to international production standards. This feature, together with the highly qualified work force and the cheap labour price are seen as the most important factors for the country to compete on the international markets.

Most of the production, both for the local market and for export (60% of the light industry) is within the garment and textile industry. All of the light industry branches are export oriented. For the first quarter of 2002 the share of the export income in the light industry is 63% from the total sales income.

### **Profile of the wood processing and furniture industry.**

The sector is traditionally seen as important for the Bulgarian industry. Its basic advantages are the available raw material as well as the rich experience and traditions in the production. The share of the export incomes in the general income of the branch is high - 73% for the wood processing industry and 87% for the furniture industry.

The wood processing and furniture production has a tradition of 150-200 years in Bulgaria. This industry is one of those that survived, next to the pharmacy and textile/garment industry, and contrary to the metal industry that died because the direct link to the Russian market was no longer there.

The last five-six years saw a strong decrease in the state sector and a slow development of the private sector. What was previously done by large factories is now done by smaller units. There are still formerly state-owned enterprises, but their profit margin tends to be much lower, below 10% and one of the reasons for this mentioned by the researchers in Bulgaria is that these companies comply with the law (for instance concerning paying overtime) more so than new private companies.

According to the Bulgarian Foreign Investment Agency<sup>20</sup>, the foreign investments in wood and paper products for the years 1998, 1999, 2000 and 2001 (preliminary data for 2001) are US \$million 37.3, 24.9, 38.1, 5.3 respectively. For the whole of the light industry investment in the wood processing branch comes second after the food branch, which illustrates its priority among the light industry sub-sectors.

The regional labour inspectorate is the agency that is supposed to look for the implementation of the health and safety work standards according to the Bulgarian Law. Unfortunately it functions in a rather formal way. In 1999 one regional inspectorate conducted a regional monitoring campaign on health and safety conditions in the wood processing industry in Central South Bulgaria. According to this inspectorate the main risk factors are mechanical dangerous situations that result in cuts and blows to the bodies of workers and the spiking and reeling of clothes or hair or the danger from working with non isolated electricity, heating/burning danger, noise and vibration, hazardous chemicals (including dust), that provoke among others allergies, cancer and chronic poisoning. Unfortunately the workers are not informed about this; the report is very hard to get.

The wood processing and furniture industry is known for the occurrence of respiratory diseases. The director of the one of the hospitals near a factory said that diseases like asthma, bronchitis, allergies, and lung fibrosis are particularly frequent with workers in wood processing and furniture production. These workers often had to be treated in the hospital, while for 4-5 years now new medication has made it possible for them to continue to work despite such diseases - without a necessary hospital stay anymore.

The social status of the workers engaged in the wood processing industry is low; their salaries are low compared with other industries. At the same time the share of the 'grey economy' is large and is not included in the statistics.

---

<sup>20</sup> [www.bfia.org/Investment\\_Statistics/index.htm](http://www.bfia.org/Investment_Statistics/index.htm)

## Research

Four factories were researched in Bulgaria, in different areas of the country. The research was conducted in June and July 2002. The researchers conducted interviews with the workers at different places, outside of the factory. Factory management of one factory was interviewed, mainly to get an overall view of the factory and its relation to IKEA, as well as trade union representatives.

## Summary of the findings in each factory and violations of the IKEA code

### Employment is freely chosen

In one factory (*factory 2*) temporary use was made of *prison labour*, which is an outstanding violation of the IKEA code of conduct. In the other three factories there is no evidence of forced, bonded or involuntary labour.

### There is no discrimination in employment

There is evidence in two factories that women get paid less for the same or for similar jobs. Also there is evidence that women are hired for different jobs, for example manual work in stead of work at the machines, jobs for which the workers tend to earn less. In one factory the workers stated that the most dangerous work, varnishing and working in the galvanic department, is done by women who earn less than the men employed in the factory. Discrimination on account of gender is in violation of the IKEA code.

### Child Labour

There is no indication of Child labour in the factories investigated.

### Freedom of association and the right to Collective Bargaining

In only one of the factories (*factory 2*) there are two trade unions and these are not functioning according to the workers. Workers in two factories mention that workers are afraid to start organising and in one of the factories the management fired workers after a strike. Also workers mention to have no possibility to put their problems to the management.

IKEA mentions in their guidelines specifically that suppliers shall not actively prevent the forming or joining of workers organisations. It seems that at least in two of the factories the workers perceive the management to be hostile towards trade union activity. Although this might be interpreted to be no violation of the

guidelines, it is clear from the interviews in the factories that organising is difficult and a hostile management is enough to discourage workers from organising.

### Wages

In two of the factories the workers mention to be on piece rate, which means their salary is calculated on amount of the pieces they produce.

In three of the factories the workers are paid officially only the minimum wage, with the health insurance based on this wage, and the rest of the money is paid unofficially. Bonuses for holidays are sometimes paid (*factory 1*), as well as a bonus for good work and overwork (*factory 1*). In *factory 2* the workers got an extra meal voucher with Christmas of €25. Overtime is paid in *factory 2*. In *factory 1* and *factory 3* the workers do not get extra paid for overwork, nor do they in *factory 4* as the payment “depends on the production”.

In *factory 4* the workers mention to be getting an illegal bonus for not taking annual leave; as a result some workers did not take their leaves for about 3-5 years. This is prohibited by the Bulgarian law which states in article 178 that financial compensation for the annual leave is prohibited.

Workers mention not to know how their salaries are calculated.

Most of the salaries are paid on time; in one factory (*factory 1*) the workers complain that sometimes the salaries were a week late.

The not paying of overtime, the illegal paying of “extra” money above the minimum wage, the not paying the salaries in time, the unclarity on the calculation of the wages, the illegal bonus, are all violations of IKEA’s code of conduct.

### Living wage

The workers say that the salaries are not enough to live on, even when two of the family members are earning wages. Some workers still subsist on agriculture to make ends meet.

Workers in *factory 2* mention spending about 50% on housing telephone and heating and 50% on food, with no money left to go on holidays for example. In *factory 3* the workers mention that the wage is just enough for food and clothing, nothing more. In *factory 4* the workers mention that it is only enough for the basics, not for holidays, savings etc.

According to the ICFTU basic code the wages and benefits paid should always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. The wages paid in all the factories are not sufficient.

#### Hours of work are not excessive

In all of the factories overtime is not compulsory but most workers will work overtime for the extra money and one has to have a good reason to refuse overtime (*factory 1*), refusal is not well received (*factory 2*) and in *factory 4* part of the workers interviewed felt they could not refuse to do overtime.

Holidays are sometime difficult to take, as workers have to find their own replacement (*factory 2*) or have to ask for permission and it is decided by the management (*factory 3*)

#### Working conditions are decent

In the Labour Code of Bulgaria workers working under “unhealthy conditions or doing work under special conditions upon the decision of the council of Ministers” shall have reduced working hours (article 137). In article 155 and 156 additional annual paid leave is mentioned, not less than 20 days, depending on the special nature of the work (article 155) and no less than 5 days extra for work under unhealthy conditions (article 156).

The wood processing and furniture industry is known for the occurrence of respiratory diseases. According to the director of an hospital, close to one of the factories, diseases like asthma, bronchitis allergies, lung fibrosis are particular frequent with workers in wood processing and furniture production. Often workers have to be treated in a hospital and it seems that in the last four, five years new medication has made it possible to continue working despite such diseases.

In *factory 1* those working with the lacquer get extra money as this is a hazardous substance. In *factory 2* the workers stated that those working in the varnishing department were paid an extra €7.25 per month. They also work only 7 hours per day and get 5 extra annual leave days. In *factory 3* the workers stated that those dealing with toxics get a daily yoghurt and about €10 extra. In *factory 4* the workers get work clothing, 6 days paid leave and € 100 extra per month.

In all factories there are possibilities to visit doctors and part of the workers mention a yearly medical check up. There is adequate fire equipment and most factories have fire drills.

In *factory 2* the workers have to find their own replacement, even when they are injured. One incident mentioned a worker with an eye injury who got permanent eye damage because there was no replacement, and was dismissed afterwards. Another incident with a worker involved an appendix problem, the worker could not leave for surgery until right after the shift.

Problems with heat mentioned in all four factories. Problems with dust mentioned in 3 factories. Workers in *factory 2* mention they are very tired after work.

In some of the factories protective gear is provided like masks and noise stoppers (*factory 2*). In *factory 3* the workers mention that some of the workers working with toxic substances do not get any protection.

It seems that although in most factories there are provisions for working with dangerous/toxic substances, in some of the factories there is still a shortage on safety measures like protective masks etc. With that the dust and the heat is a huge problem, no adequate heat regulation is installed. The workers are not very well instructed on the risks involved with working with dangerous/toxic substances as is written in the Healthy and Safe Conditions of Work Act in Bulgaria. As is mentioned above, there are certain health risks with working in this industry. In one of the factories workers whom are injured cannot get immediate medical attention. All this is not in accordance with the IKEA code of conduct.

### **The employment relationship is established**

In *factory 2* the workers have contracts for periods of a year, 6 months, and 3 months. In *factory 3* not all the workers have a contract. In *factory 4* part of the workers were dismissed a year before and reinstated later without a contract. Those that have a contract as mentioned before mostly only state the minimum wage as remuneration.

As has been related above the provision related to employment relationship did not make it into IKEA's code nor the guidelines. Clearly the situation found in the factories researched is in violation with the law, and thus the Ikea code, and provisions in the basic code of the ICFTU as there are no contracts in some

instances, contracts for the minimum wage only when workers are earning more so as not to pay the higher health and social insurance.

### **Other issues**

None of the workers asked know what a code of conduct is, nor do they know that IKEA has any demands towards working conditions.

In the factories there are security guards, sometimes just for the night, sometimes they are also there during daytime to prevent theft or to make sure workers ask permission to leave their workplaces.

### 3.3 Vietnam

#### Overview of IKEA's production in Vietnam

IKEA was established in Vietnam in 1996.<sup>21</sup> IKEA has two representative offices in Vietnam, one in Ho Chi Minh City and one in Hanoi. Vietnam is becoming one of the major Asian countries that IKEA sources its products from.<sup>22</sup>

IKEA indirectly employs about 100,000 people at 54 Vietnamese factories, which produce everything from flower pots to sea-grass place mats -- and production is set to increase. Ikea will export just over US\$100 million of Vietnamese products in 2001, and that number is expected to grow to US\$120 million in the year 2002 and US\$230 million in 2005.<sup>23</sup>

Of the products IKEA imports from Vietnam, textiles and garments will account for 33%, handicrafts 26%, potteries 15%, plastic and metal wares 14%, wooden products 7%, and others 5%.<sup>24</sup>

#### Garment and textile sector in Vietnam

On the back of huge jump in exports to the US, Vietnamese textile and garment exports surged 36 per cent in 2002. Vietnam's textile shipments to the US went up to US\$900 million - from US\$47 million in 2001.

The main export markets of the garment and textile sector in Vietnam have been Japan and the European Union, but since the Bilateral Trade Agreement (with the US) came into effect, Vietnam's exports to the United States have increased rapidly. Exports to the EU and Japan fell 10 and 20 per cent respectively in 2002. The local garment and textile sector is struggling to fulfil a large number of orders from the United States, despite working around the clock and expanding production.<sup>25</sup>

<sup>21</sup> Eriksson, Annika & Prezedpelska (2001), "The Impact of Swedish Investment and Trade on Labour Conditions in Vietnam, Ekonomiska Institutionen Linköping

<sup>22</sup> SGT Weekly (2001), A big importer; IKEA is a major importer of Vietnamese consumer goods, 17 November

<sup>23</sup> G. Bruce Knecht (2001), Politics & Policy New Trade Accord With U.S. Boosts Outlook for Vietnam, The Wall Street Journal October 25

<sup>24</sup> A SGT Weekly (2001), A big importer; IKEA is a major importer of Vietnamese consumer goods, 17 November

<sup>25</sup> Voice of Vietnam, text web site (2002), Vietnam: Textile\_sector said "struggling" to meet US demand, Hanoi, November 25

### Characteristics of garment and textile sector of Vietnam

- its three advantages: no quotas (regarding the US), political stability and cheap, skilled workers.
- Total export of US\$2.5 billion in 2002.
- The industry expects to earn a record US\$3.15 billion in 2003.
- The US market absorbed in 2002 a volume 20 times greater than last year's volume.

### Ceramic and porcelain products of Vietnam

In 2001, Vietnam exported only US \$9 million and the first half of 2002 saw an export of just US\$2.3 million. At present, the volume of Vietnam's ceramic and porcelain products exports only corresponds to about 16 per cent of Malaysia's exports and 7.4 per cent of Thailand's.

In September 2002 the Vietnam Ceramics Association coordinated with the ASEAN Association of Ceramics Producers to organise a fair in Ha Noi promoting the Vietnam ceramics industry.

The Government of Vietnam has set out a plan to raise export of ceramics and bathroom fixtures to about US\$100 million by 2005. This might prove difficult at a time when even large and experienced exporters - such as Indonesia, Malaysia and Thailand - have been operating at less-than-full capacity due to low demand.<sup>26</sup>

### *Research methodology*

The study was carried out in 3 selected enterprises in South Vietnam supplying home appliances goods to IKEA by a research team from the Center for Family and Women Studies, in October 2002. These selected businesses are different from each other when looking at ownership, size, labour-intensive production and production systems. The three enterprises belong to the light industries group (as classified by Vietnam Industry) where particularly female workers are employed.

The study has combined desk research in which use has been made of relevant documents like the National law and legislation on labour, specific provisions on production branch, and field research which included interviews with the enterprises' representatives, relevant commissions, trade unions and in-depth

---

<sup>26</sup> Asia Pulse (2002), Vietnam\_plans to boost ceramic\_exports to US \$100 mln by 2005, September 25

interviews (by pre-designed questionnaires adapted to the specific situation in Vietnam) with production workers, visit of working places and workers dormitory after working hours. In this study, permission to undertake the research in the factories was sought from the Department of Labour, Social Invalid and Social Affairs (MOLISA) of Ho Chi Minh City. The management was aware of the research and the findings are based on interviews with the management as well as with the workers. The workers were interviewed at the factory premises, during work time, lunchtime or after work. As a result of this, the workers may not have felt completely free to talk about their working conditions. This method is different from the research methods used in India and Bulgaria and may have had an effect on the outcome of the research.

Also, the research in Vietnam is complicated because of the communist background which becomes clear when looking at the position of unions. From a research done in 2001 by Isabelle Delforge for Magasins du Monde<sup>27</sup> she writes: “the country has kept its communist state structure while promoting free market policies. In this context, Trade unions are facing conflicting missions. (...) “The trade unions in Vietnam are aware that they have to adjust to the new economical and social environment. In the planned economy they mainly had a negotiating role between workers and managers. They organised recreation activities for workers, collected money for workers on sick leave, in case of funerals and so on. They now have to start to defend workers' rights in a much more competitive environment.”

### *Summary of the findings and violations of the IKEA code and the ICFTU standards*

#### **Employment is freely chosen**

In none of the factories there is evidence of forced or bonded labour.

#### **There is no discrimination in employment**

There is no clear evidence of discrimination on the basis of gender, religion or caste. In *factory 3* the researchers found that women do not hold higher management positions, although 95% of the workers are women. In *factory 2* the workers relate that most supervisor positions are hold by male workers.

---

<sup>27</sup> Isabelle Del Forge (2001), “Visit to Vietnam for the Clean Clothes Campaign for Les Magasins du Monde - Oxfam”, Hanoi

## Child Labour

There is no evidence of child labour and in all three factories the management asks for enrolment documents as identity cards, certified CV's etc.

## Freedom of association and the right to Collective Bargaining

There is no evidence of violation of the right to organise.

What can be said though is that the role and activities of the trade unions in the factories is not very active. In general, in the factories, the issues of collective bargain, membership and awareness raising on the basic labour rights for the workers, most of which are young, rural migrants who have low education level, limited information and experiences have not got enough attention. In some cases, there is a formal trade union that is weak. For *factory 2* the researchers found that the trade union did not have a voice in a dispute between workers and employers. In *factory 3* the trade union had no real activity on working conditions, accommodation etc. nor could the trade union settle matters in this regard.

According to the researchers the way of running trade union activities like membership expansion, organization model awareness raising or education methods still needs to be renovate for addressing more concrete worker needs and development.

## Wages

The factories pay the minimum wage. Workers say in all three factories that the wages are not enough (especially with dependents) to meet basic needs or accumulate some discretionary income. In general, the wage is relatively low and has not been adjusted in time in accordance with the living cost in urbanized areas and inflation. In particular, in *factory 3* the regulated minimum wage has not been adjusted for years.

Although the companies do not violate the IKEA code as they seem to be paying the minimum wage they do violate the code of conduct of the ICFTU in that the wages paid are not enough for a living wage.

## Hours of work are not excessive

Working hours are continuous and strenuous. Although in all 3 enterprises, workers do not have to work a night shift, in *factory 2* and *3* workers have to work overtime continuously, up to 3-4 hours per day, and in *factory 2*, 7 days per week, thereby seriously violating the national regulation of maximum working hours per year and one rest day in 7.

In *factory 3* overtime is very clearly compulsory, workers can only refuse overtime when they are ill, with a clinic certificate or when one of their relatives died. In *factory 1* workers with “correct” reasons can refuse overtime but there is a backlash when workers ask often to be excused on the bonus qualification. In *factory 2* the workers are fined VND 10,000 when they do not give a reasonable reason for not doing overwork.

The amount of overtime over the amount stipulated in the law (200 hours per year), the workweeks of 7 days out of 7 and the forced overtime are all in clear violation with IKEA’s code of conduct.

### **Working conditions are decent**

In *factory 1* and *2* the researchers reported that the conditions did improve significantly over the last few years. Also in all of the factories the researchers reported sufficient measures on fire alarms, exits, drills etc.

The researchers reported that the companies sometimes do not organize periodic - yearly- health check ups or pay for health insurance when they only sign 1 year or short term labour contracts for the workers, as was the case in *factory 3*. Due to different contracts part of the workers have to pay their own medical costs. In some cases, the internal regulation on the injuries compensation is not properly set, for example, which claims that “in case the worker, due to not being alert, cause themselves the injuries, the company does not compensate” as in case of *factory 1*.

Most workers in all three factories mention to have difficulties with high temperature, air pollution and prevention and treatment of occupational diseases. The improvements have been made but slowly and not always effectively.

All factories are in clear violation with IKEA’s code of conduct.

### **The employment relationship is established**

In *factory 3* it becomes clear that workers do not get permanent contract but only daily or yearly contracts. This is also the fact at *factory 2* where there are workers on short term and long term contracts. This has influence on their insurances and bonuses and leads to workers on short term contracts paying their own medical bills and workers not being insured for sick leave.

Part of the initial agreement between IKEA and the IFBWW mentioned employers' obligations to workers according to national labour legislation and regulations on social protection based on permanent employment must be respected. Apprenticeships that do not truly aim to provide knowledge must not be permitted. The parties shall work towards creating permanent employment. This provision was left out of both IKEA's code and the guidelines. Clearly the situation found in the factories researched is in violation with the law, and thus the IKEA code, and provisions in the basic code of the ICFTU.

### **Other issues**

The workers are not aware of the existence of the IKEA code of conduct and they are not informed on the code.

## Chapter 4: Conclusions

This report is based on research on working conditions at ten out of the more than two thousand suppliers that produce for IKEA worldwide. The factories were randomly picked, based on knowledge about the factory and on the possibility to conduct research by local research partners of SOMO. This means that the outcome does not necessarily represent the situation in all of IKEA's vast supply chain. The study however, conducted in three increasingly important purchasing countries of IKEA, does provide an insight into the large problems that still exist in terms of the implementation of the standards of IKEA throughout its supply chain. The case studies in India, Bulgaria and Vietnam, although showing a different situation, make it clear that there are still numerous violations of IKEA's code of conduct in all three countries in all factories researched. Details of the violations in each factory can be found in the factory profiles in the annexes, while the summaries of the violations in each country are described in chapter three of this profile.

### *Child Labour*

Looking at the situation in the three countries it seems that improvements have occurred as well. For example, in none of the factories, child labour was reported, and improvements were seen in the field of health and safety. These improvements of health and safety at the workplace however, have in most cases not resulted in compliance to the standards of the IKEA code. On the issue of child labour it is important to note that this research only includes first-tier suppliers (that produce directly to IKEA) and not the sub-contracting chain of those suppliers, which can be quite extensive. Especially in India, child labour is often found in those small working units that produce for the suppliers.

Some of the most striking findings of the research include two cases where employment was not freely chosen (ILO Conventions 29 and 105). In one factory in Bulgaria use was made of prison labour. In India, migrant workers were bonded by cash advances they got from the factory, this way making it impossible for the workers to leave. IKEA's Guidelines for the IKEA code of conduct state that "bonded labour is understood as labour not only physically bonded, but also bonded by financial debts, such as loans, gambling debts, providing housing facilities, etc."

### *Health and Safety*

Also on health and safety it becomes clear from the report on Bulgaria that although in most factories there are provisions for working with dangerous/toxic substances, in some of the factories there is still a shortage on safety measures like protective masks etc. With that the dust and the heat is a huge problem, no adequate heat regulation is installed. The workers are not very well instructed on the risks involved with working with dangerous/toxic substances as is written in the Healthy and Safe Conditions of Work Act in Bulgaria. In one of the factories workers that are injured cannot immediately go and to get medical attention.

Most frequently were violations of the IKEA code reported in the areas of freedom of association and the right to collective bargaining, wages, and hours of work.

### *Freedom of association and the right to Collective Bargaining*

The question whether or not the right to form unions and bargain collectively is respected can be quite difficult to assess. Non-existent or malfunctioning trade union activity does not necessarily mean that this right is being violated. However, through the interviews with the workers it becomes evident that suppliers actively prevent the forming or joining of worker organisations, by terminating jobs of those workers that try to organise or by threatening to do so. This problem occurred in all the factories that were researched in India and Bulgaria. In Vietnam, trade unions exists formally (State controlled “yellow unions”), but seem to be weak. Especially awareness raising among labour rights issues, which is important as there are many young migrant workers, is being neglected by the trade unions.

### *Wages*

The issue of wages is another area where many problems occur. Although this study does not include a comprehensive calculation of the living wage in each of the areas where the factories were located, it is clear from the interviews that workers often do not earn enough to meet their basic needs, especially without working overtime. In India, in all of the factories, not even the legal minimum wage is paid. Moreover, it is very often unclear for the workers how their wage is being calculated, how much bonuses or overtime wage they receive. Workers do not get a salary slip so they cannot check the payments. In Bulgaria, anything more than the legal minimum wage is paid unofficially, without specifications of the calculation, and illegal bonuses are given for not taking annual leave. IKEA’s Guidelines note that “Before taking up their work all personnel shall have

received written understandable information about wages and terms of employment. Together with their weekly or monthly pay, they shall receive details of the pay and the legal and any other agreed deductions.” Clearly violations of these guidelines are very frequently taking place.

#### *Hours of work*

Violations of the maximum hours of work, both legally and set by IKEA (no more than sixty hours of work per week on a regular scheduled basis) often occur in India and Vietnam. Workers are often required to work seven days per week, overtime payment is unclear or non-existent, and workers are often forced to work overtime by the threat of paying a fine, losing bonuses or losing their job if they refuse.

#### *Knowledge and lack of information*

Finally, another important conclusion of the research is the lack of knowledge of workers of their rights, in terms of their rights as stipulated in the national laws, but even more so in terms of their rights as stipulated in IKEA’s code of conduct. None of the workers were aware of the IKEA code of conduct, they were never told about it, and had never seen it. IKEA’s Guidelines state that “Suppliers shall inform their co-workers of the contents of ‘The IKEA Way on Purchasing Home Furnishing Products.’” In terms of monitoring, none of the workers that were interviewed ever spoke to anyone from the auditing or monitoring team of IKEA, or those hired by IKEA.

As has been said above, IKEA claims that by September 2002 all suppliers have been audited against the minimum demands. As there has been no social report published so far and no information has been made public on the audits this cannot be verified. What becomes clear though is that all of the factories researched have serious problems in regard to the labour standards in IKEA’s code of conduct and the ICFTU code.

## Annex 1

The Annex 1 contains:

1. *The IKEA Way on Purchasing Home Furnishing Products*
2. *IKEA IWAY Standard [standard minimum requirements for Environmental, Social and Working Merchandise]*

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]

The IKEA Way on Purchasing Home Furnishing Products



IKEA Services AB

Dec, 2002

Issued by  
Thomas Bergmark

Approved by  
Anders Dahlvig

2002-12-13

## THE IKEA WAY ON PURCHASING HOME FURNISHING PRODUCTS

### 1. Our Code of Conduct

This document "The IKEA Way on Purchasing Home Furnishing Products" is our *Code of Conduct* in our relation with suppliers of products for the IKEA range. The *Code of Conduct* is our minimum requirements on Social & Working conditions and Environment.

It has been established in order to make the IKEA position clear to suppliers and their co-workers, as well as any other parties.

It is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998 and the Rio Declaration on Sustainable Development 1992.

Further IKEA recognises the Fundamental Principles of Human Rights, laid down by the "Universal Declaration of Human Rights" (United Nations 1948).

We believe that our daily business has an impact on Environmental and Human Right issues, in particular, in relation to people's working and living conditions.

A complete specification of our minimum requirements is stated in the IWAY Standard document. (see appendix 2)

### 2. The IKEA Concept in a Nutshell

Our Vision

To create a better everyday life for the many people.

Our Business idea

We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

This shall be achieved through

- a rational product range development and by adapting product design to production conditions.
- a rational distribution idea in combination with a caring meeting with the many people.
- a strict cost-consciousness in all areas.

### 3. Customers and Suppliers in Focus

We have decided once and for all to side with the many. This is an objective that carries obligations.

We want to offer our customers low prices for well-designed and functional home furnishing products of good quality, manufactured under acceptable working conditions

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]

by suppliers that care for the environment.

IKEA is a production-oriented retailing company. We strive to build long-term relationships with suppliers that share our commitment to promote good practices, and who want to grow and develop together with IKEA.

*Suppliers can expect from IKEA:*

- to be reliable,
- to adapt our products to production,
- to contribute to efficient production,
- to care for the environment,
- to support material- and energy saving techniques,
- to take a clear standpoint on working conditions,
- to respect different cultures,
- to have clear and mutually agreed commercial terms.

#### **4. Producing for IKEA Includes the Following Requirements**

##### **Legal Requirements**

Suppliers *must* comply with national laws and regulations and with international conventions concerning Social & Working Conditions, Child Labour and the protection of the Environment.

##### **Social & Working Conditions**

IKEA expects its suppliers to respect fundamental human rights, to treat their workforce fairly and with respect.

*Suppliers must:*

- provide a healthy and safe working environment,
- pay at least the minimum legal wage and compensate for overtime,
- if housing facilities are provided, ensure reasonable privacy, quietness and personal hygiene.

*Suppliers must not:*

- make use of child labour, (see appendix 1),
- make use of forced or bonded labour,
- discriminate,
- use illegal overtime,
- prevent workers from associating freely with any workers' association or group of their choosing or collective bargaining,
- accept any form of mental or physical disciplinary action, including harassment.

##### **Environment and Forestry**

At IKEA, we shall always strive to minimise any possible damaging effects to the environment, which may result as a consequence of our activities. Therefore, IKEA and its suppliers shall continuously reduce the environmental impacts of operations.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]

*Suppliers must:*

- work to reduce waste and emissions to air, ground and water,
- handle chemicals in an environmentally safe way
- handle, store and dispose of hazardous waste in an environmentally safe manner,
- contribute to the recycling and reuse of materials and products,
- use wood from known areas and, if possible, from sources that are well managed and preferably independently certified as such.

*Suppliers must not:*

- use or exceed the use of substances forbidden or restricted in the IKEA list of "Chemical Compounds and Substances",
- use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

## 5. Implementation

The supplier shall effectively communicate to all its sub-suppliers, as well as to its own co-workers, the content of the "The IKEA Way on Purchasing Home Furnishing Products", and ensure that all measures required are implemented accordingly.

Via a network of Trading Service Offices, IKEA supports their suppliers to improve their operations. Believing in long-term relationships, IKEA does not break off relations due to non-compliance only, as long as there is a willingness to improve in the right direction with an agreed plan of action to comply with the IKEA requirements within an acceptable time frame. Repeated violations of IKEA's requirements will result in the termination of the co-operation.

## 6. Support and Monitoring

The IKEA Trading Service Offices has the direct responsibility to support and monitor the suppliers. To ensure compliance with the requirements, IKEA has also formed a global compliance and monitoring group in order to support and follow up developments on a global basis.

IKEA always reserves the right to check suppliers with the help of independent organisations.

List of Appendix

Appendix 1	The IKEA Way on Preventing Child Labour
Appendix 2	IWAY Standard

**This is a living document, and as we gain more experience and learn, it will be revised.**

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]

## The IWAY Standard



Issued By:  
IKEA Trading und Design AG

Approved By:  
INGKA Holding B.V.

Date:  
2002-12-13

Edition  
1

### IWAY Standard

#### Introduction

#### The Process

1. General Legal Requirements
2. Emissions, Discharges and Noise
3. Ground Contamination
4. Chemicals
5. Hazardous and Non-Hazardous Waste
6. Environmental improvements
7. Fire Prevention
8. Worker Safety
9. Provided Housing Facilities
10. Wages and Working Hours
11. Child Labour
12. Forced & Bonded Labour
13. Discrimination
14. Freedom of Association
15. Harassment, Abuse and Disciplinary Practises
16. Routines for procurement of wood
17. Protected areas, Intact Natural Forests and High Conservation Value Forests
18. Plantations in tropical and sub-tropical areas
19. High Value Tropical Tree Species

#### International References

- |    |   |
|----|---|
| R1 | The Universal Declaration of Human Rights (UN 1948)   |
| R2 | Occupational Safety and Health Convention, and Occupational Safety and Health Recommendation (ILO Conventions 155 and Recommendation 164)                     |
| R3 | Convention on the Rights of the Child (UN 1989)   |
| R4 | Minimum Age Convention, and Worst Forms of Child Labour Convention (ILO conventions 138 and 182)  |
| R5 | Forced Labour Convention, and Abolition of Forced Labour Convention (ILO Conventions 29 and 105)  |
| R6 | Equal Remuneration Convention, and Discrimination (Employment and Occupation) Convention (ILO Conventions 100 and 111)  |
| R7 | Freedom of Association and Protection of the Right to Organise Convention, Right to Organise and Collective Bargaining Convention (ILO Conventions 87 and 98) |
| R8 | Fundamental Principles of Rights at Work (ILO Declaration, June 1998)   |
| R9 | Rio Declaration on Sustainable Development (UN 1992)  |

#### IKEA References

- |     |   |
|-----|---|
| R10 | <a href="#">The IKEA Way on Purchasing Home Furnishing Products</a> |
| R11 | <a href="#">The IKEA Way on Preventing Child Labour</a>             |
| R12 | <a href="#">IOS-MAT-0010 Chemical Compounds and Substances</a>      |
| R13 | <a href="#">IKEA Matrix for Hazardous Waste</a>                     |
| R14 | <a href="#">IOS-2064 Guidelines for the Forest Tracing System</a>   |
| R15 | <a href="#">IKEA Trading Audit Procedure</a>                        |

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY[Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]

**IKEA® IWAY Standard**  
**Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise**

**Introduction**

The IKEA Way on Purchasing Home Furnishing Products (IWAY) is a Code of Conduct in our relation with suppliers approved by the board of IKEA (INGKA Holding B.V.). It is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration June 1998 and the Rio Declaration on Sustainable Development 1992. IWAY covers IKEA's minimum requirements in the following three areas; Outside Environment, Social & Working Conditions (including Child Labour) and Wooden Merchandise.

These requirements are applicable to IKEA Suppliers as well as our own IKEA Trading Organisations. IKEA Suppliers shall always abide by the most demanding of the requirements whether it is the applicable legislation or IWAY specific requirements.

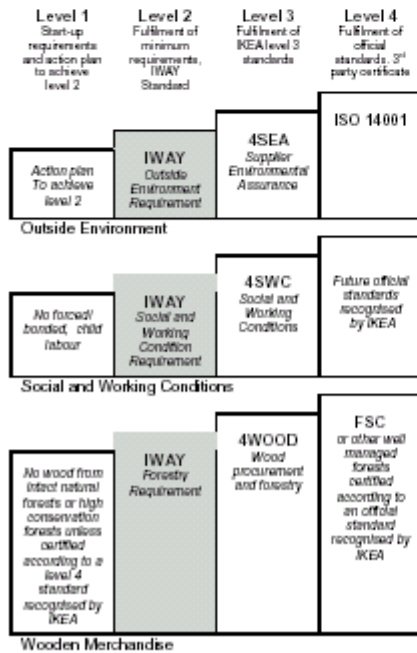
IKEA recognises the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948).

We believe that our business has an impact on Human Right issues, in particular, in relation to peoples working and living conditions. Good workshop conditions and orderliness in the factory is a pre-requisite to quality and environmental work.

IKEA adheres to UN decisions regarding trade boycotts and embargoes.

**Staircase Model**

IKEA's Staircase Model defines a 4-step approach aimed at improving the Suppliers overall performance in the 3 areas; Outside Environment, Social & Working Conditions and Wooden Merchandise. This document, the IWAY Standard, includes the IKEA minimum requirements (level 2 in the Staircase Model).



**Professional Secrecy**

IWAY and all of its activities are dependent upon co-operation, mutual trust and respect between the supplier and IKEA. All observations, discussions and written information received from the supplier are to be treated confidentially by IKEA, its employees and any third party organisations appointed by IKEA.

**The Process**

**Communicate Requirements**

IKEA shall communicate the IWAY requirements to the IKEA Supplier.

The supplier shall effectively communicate to all its sub-suppliers, as well as to its own co-workers, the content of the IWAY Standard, and ensure that all measures required are implemented accordingly.

**Start-up Requirements**

Potential IKEA Suppliers – prior to starting a business relationship with IKEA – must fulfil the start-up requirements; No forced or bonded labour, no child labour and no wood from intact natural forests or high conservation value forests. Suppliers delivering IKEA products containing solid wood, veneer, plywood and layer glued wood must ensure a Forest Tracing System document is completed.

**Audit**

IKEA shall conduct an IWAY Audit of the Suppliers premises. The IKEA supplier shall support on-site audits conducted by either; an IKEA Audit Team, an independent Auditor(s) or an Audit Organisation recognised by IKEA. IKEA reserves the right to perform unannounced audits or inspections to verify that the IWAY requirements are fulfilled. IKEA Suppliers shall allow for confidential employee interviews and shall maintain and allow access to all documentation and records as required. Observations of areas requiring improvement found during the IWAY Audit will be presented in an Audit Report.

**Corrective Actions**

If the event of non-conformances, IKEA will require – in writing – an action plan from the supplier detailing how the non-conformances will be rectified. An action plan must be sent to IKEA within 1 month following the audit. The action plan must include a description of the corrective action, responsible person and timelines for each non-conformance to be rectified.

IKEA must review and approve the action plan received from the supplier.

**Approval of IWAY**

IKEA Trading will follow up and verify to ensure the Supplier has completed the necessary corrective actions according to the approved action plan and timelines. When all non-conformances/deviations have been verified and approved by IKEA (or applicable third party), the supplier is IWAY Approved.

The Supplier shall sign agreement(s), where he undertakes the responsibility to preserve his status and continuously improve the performance. IKEA will perform re-audits – as a minimum – every two years to ensure the IKEA Supplier maintains his IWAY Approved status.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



## 1. General Legal Requirements

### 1.a General

The IKEA supplier shall comply with all relevant and applicable laws, legislation and regulations within its area of jurisdiction pertaining to the Environment, Social & Working Conditions, Fire, Health & Safety, as well as Labour issues.

*The IKEA supplier shall always comply with the most demanding requirements whether it is relevant applicable laws or IKEA IWAY specific requirements.*

The IKEA supplier shall have a basic factory registration/licence to operate, if this is required by law, and comply with terms stated there in.

### 1.b Maintenance

The IKEA supplier shall establish a list of relevant legislation and regulations, as well as a procedure for monitoring any updates or changes to the legislation in order to remain in compliance with the requirements (See 1.a.) The IKEA supplier shall maintain records of work incidents, accidents, and/or fires including corrective actions.

If required by law (e.g. due to the Supplier's Environmental Classification) the IKEA supplier shall conduct an Environmental Assessment and obtain approval from authorities prior to changes in production, processes and buildings.

### 1.c Inspections by Authorities

The IKEA Supplier shall ensure compliance to inspections by the authorities (Ministry of Environment, Ministry of Health & Safety, Fire Authorities and other public authorities appointed to verify compliance to legal requirements). The required Corrective Actions must be documented and completed in due time.

### 1.d Dispensation

In the event that the authorities grant a dispensation in terms of limits, dates or conditions, this must be agreed to in writing from the authorities. The IKEA supplier must establish a plan of action with the intention to improve the deficiency as granted by the current dispensation.

### 1.e Responsibility and competence

The IKEA Supplier shall appoint one or several persons who shall have defined responsibilities and the authority to ensure compliance with legislative requirements pertaining to the Environment, Social & Working Conditions, Wooden Merchandise as specified in this document.

The responsible person(s) shall have the necessary competence and knowledge about issues related to his/hers area of responsibility and type of business.

## 2 Emissions, Discharges and Noise

### 2.a General

The IKEA supplier shall ensure compliance to applicable laws, legislation & regulations – and if required obtain the necessary permits and demonstrate compliance to those permits - pertaining to emissions to the air, discharges to ground and water, as well as noise pollution.

## 3. Ground Contamination

### 3.a General

The IKEA supplier shall abide by the national legislation and have knowledge about the present state of contaminated areas, as well as history under prior ownership regarding contaminated areas on site and within the confines of the facility.

The IKEA supplier shall report any identified or suspected areas of contamination to the authorities for assessment and review.

## 4. Chemicals

### 4.a General

The IKEA supplier shall ensure compliance to applicable laws, legislation & regulations - if required obtain the necessary permits and demonstrate compliance to those permits - pertaining to the use, storage and import of all chemicals <sup>(1)</sup>

The requirements stipulated in (b) – (e) are applicable for all chemicals used in IKEA products, production and maintenance.

*Note 1: By chemicals we mean chemical substances and products e.g. oil, diesel, glue, lacquer, solvents, paints, dyes, hardeners, stains, waxes, acids, additives etc.*

### 4.b Chemical Management

The IKEA supplier shall have a procedure for the procurement of chemicals.

Prior to use in IKEA products, and in the production processes, the IKEA Supplier must abide by restrictions or prohibitions for chemicals stated in the IKEA specification IOS-MAT0010 Chemical Compounds and Substances. The IKEA supplier must ensure that all applicable certificates, test reports and supplier assurances are kept up to date in accordance with the requirements in IOS-MAT0010.

The IKEA supplier shall establish and maintain a list of all chemicals used. The list shall - as a minimum – include; The Name of the chemical product, the Area of Use and CAS nr (or a reference to an MSDS) for each of the chemicals used by the supplier.

The IKEA supplier shall have Material Safety Data Sheets (MSDS) for all chemicals. MSDS information must be provided in a language that can be understood by all employees concerned.

### 4.c Storage of Chemicals

The IKEA supplier shall prevent chemicals from leakage to air, ground and water. Chemicals should be stored on a hard surface (concrete, cement etc), free of drainage holes and protected by sills. If chemicals are stored outside they should also there be stored on hard surface, with no risk of leakage to the ground, including measures to avoid corrosion of the barrel/container.

The IKEA supplier shall have adequate ventilation in the chemical storage facilities to prevent explosions or other potential risks.

The IKEA supplier shall ensure that above ground storage tanks, with a total volume of 1,5 m<sup>3</sup> or more, shall be placed on a hard surface and when there's a risk of damage, protected from collisions or other potential damage.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



## IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise

To prevent the risk of leakage, above ground storage tanks shall be inspected, at least once every 36 months, for corrosion and other damage. Inspections shall include both an internal and external inspection.

Underground storage tanks shall be inspected by means of a pressure test at least once every 36 months.

The repletion protection of the tank shall be functionally checked at least once in every 12 months period.

Aboveground and underground storage tanks or other loose containers with a total volume of 250 litres or more which are situated within close proximity (< 100 meters) of water or other land protected areas, surface water wells, lakes, rivers or other water bodies must have a secondary protective shield (i.e. double lined/walled tank) or be placed in a concrete embankment.

#### 4.d Labelling of Chemicals

The IKEA supplier shall ensure all containers - including temporary containers - of chemicals are properly labelled with appropriate danger symbols <sup>(2)</sup> and chemical names to ensure the contents are known and the potential risk minimised.

*Note 2: Examples of symbols to be used on chemical containers are as follows: Flammable, Explosive, Corrosive, Toxic, Oxidising, Harmful and Dangerous for the environment.*

#### 4.e Handling & Use of Chemicals

The applicable information regarding the risks and safe handling of chemical compounds and substances shall be accessible to all concerned employees. Employees that regularly handle chemicals should be adequately trained. Employees must use the necessary protective safety equipment when handling or in contact with chemicals (see 8.b and 8.e).

### 5. Hazardous and Non-Hazardous Waste

#### 5.a General

The IKEA supplier shall ensure compliance to applicable laws, legislation & regulations – and if required obtain the necessary permits and demonstrate compliance to those permits - pertaining to the handling, storage, utilisation, transporting and disposing of hazardous and non-hazardous waste.

For those countries where there is no applicable or effective legislation regarding hazardous waste, the "IKEA Hazardous Waste Matrix" shall apply.

In general, the site should give a good impression to visitors. Raw material, chemicals, waste etc should not be stored in disorder all over the property.

#### 5.b Waste Management

The IKEA supplier shall establish a procedure according to legislation for the safe handling, storing, transportation, utilisation and disposal of waste.

The IKEA supplier shall maintain records of permits for its suppliers and contractors for any of the above mentioned activities, as well as records/documentated procedures, pertaining to the safe and proper handling, transport and end disposal of hazardous waste. If appropriate licensed contractors, transport companies or end disposal companies do not exist, IKEA supplier shall ensure that the hazardous waste is kept in storage until appropriate end disposal can be assured <sup>(3)</sup>.

If waste is disposed of on-site e.g. by landfill or incineration, all relevant legal requirements must be fulfilled. IKEA do not allow hazardous waste to be land-filled or incinerated on-site. If hazardous waste is stored temporarily on-site, the waste has to be stored in safe containers.

The hazardous waste storage facility shall consist of a secure, designated area that is clearly identified. The storage facility must be free of possible leakage to minimise the environmental risk (please also refer to section 4c).

Different categories of hazardous waste must not be mixed. Hazardous waste and non-hazardous waste must be kept separate.

The IKEA supplier shall establish and maintain a list of Hazardous and non-hazardous waste in order to monitor the type and quantity that is generated at the supplier as a result of its activities.

Personnel handling hazardous waste must be trained and informed of the following:

- Risks involved in the handling hazardous waste
- Handling instructions for hazardous waste including emergency provisions in case of an accident or incident
- Handling instructions as recommended by the original manufacturer and/or MSDS of the substances (if such recommendations exist). See 4.b and 4.e.

*Note 3: Should the IKEA requirement of storing hazardous waste be in violation with national laws or regulation, the law shall always be complied with and proven. In such cases, the supplier shall immediately inform IKEA.*

### 6. Environmental Improvements

#### 6.a General

The IKEA supplier shall ensure and demonstrate continuous environmental improvements – relative to increases in production – in various areas i.e. reduction of:

- Emissions to air
- Discharges to ground and water
- Noise
- Hazardous and non-hazardous waste
- The use of natural resources e.g. energy, raw materials, chemicals etc
- Continuously working to replace hazardous substances with less hazardous (i.e. applying the substitution principle).

### 7. Fire prevention

#### 7.a General

The IKEA supplier shall comply with all relevant and applicable laws, legislation & regulations pertaining to Fire Safety and ensure compliance to specific requirements issued by local authorities, as well as ensure fulfilment of IKEA IWAY specific Requirements stipulated in (b) – (f) below.

#### 7.b Fire Fighting Equipment

The IKEA supplier shall have the appropriate and adequate number of fire extinguishers and/or hydrants situated with a maximum distance of 25 meters between fire extinguishers and/or fire hydrants. The fire extinguishers must be easily accessible for co-workers and maintained in good working order.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



#### 7.c Evacuation Alarm

The IKEA supplier shall have an evacuation alarm <sup>(4)</sup> in good working order, to notify all employees about smoke and/or fire and to ensure a safe evacuation of the suppliers facility(s) <sup>(5)</sup>.

*Note 5: As a general principle IKEA requires the supplier to have an evacuation alarm. The alarm - as a minimum - can be manually activated, but must by itself evoke a continuously light and/or sound signal. The alarm must function also during power-cuts. If the supplier can demonstrate an alternative solution that complies with IKEA's requirement of an evacuation that option can be acceptable.*

*Note 6: The decision for determining a proper and suitable fire alarm is based upon: the suppliers field of business, the size of the workplace, the degree of planning, as well as extent and ease that the workplace can be evacuated*

#### 7.d Evacuation Plan

The IKEA supplier shall have an evacuation plan <sup>(7)</sup>, showing emergency exits, appropriate meeting area(s), and a means to notify or contact fire authorities or fire brigade. In case of an evacuation, the supplier shall ensure that designated persons are responsible for performing a head count to ensure all co-workers have evacuated the building and are accounted for. Evacuation plans shall be placed at appropriate designated locations.

*Note 7: An evacuation plan should consist of a map where you easily could identify your position and how to find your way out. An evacuation plan is not needed for workplaces in which the size of the workplace, the risk involved, as well as the extent and ease of evacuation poses no potential risk to the safe evacuation of the suppliers personnel.*

#### 7.e Emergency Exits

The IKEA supplier shall - as a minimum - have two independent emergency exits <sup>(8)</sup> per working area. All emergency exits shall be marked with exit signs that are either luminous or illuminated. The IKEA supplier shall ensure all emergency exit(s), access routes, fire doors and fire fighting equipment are free from obstruction.

*Note 8: Emergency exits should be opened outwardly. Sliding doors, used as emergency exits, must always be kept open during work hours. Otherwise, the sliding doors must be equipped with an encased, built-in EXIT door.*

#### 7.f Training and Maintenance

The IKEA supplier shall have an adequate number of personnel trained to use the fire fighting equipment in each work area, covering all production shifts.

The IKEA supplier shall perform fire drills at least once in every twelve-month period. These drills must involve all production shifts.

All fire fighting equipment and the evacuation alarm must be checked at least once in every twelve-month period.

Records of Evacuation Drills, Training and Maintenance must be maintained.

### 8. Worker Safety

#### 8.a General

The IKEA supplier shall comply with all relevant and applicable laws, legislation and regulations pertaining to internal air quality (fumes, particles and appropriate ventilation), noise levels, lighting levels and temperature <sup>(9)</sup> levels in the workplace.

*Note 9: In tropical or sub-tropical areas, the outside temperature is acceptable as the workplace temperature, in production facilities without walls, provided there's a roof provides shade and protection from sunlight. Fans or other air moving devices shall be used to ease the heat.*

#### 8.b Personnel Protective Equipment

The IKEA supplier shall provide the appropriate personnel protective equipment <sup>(10)</sup>, free of charge, to all employees working in any harmful or potentially risky work area(s). The IKEA Supplier must ensure the Personal protective Equipment is maintained.

The IKEA supplier shall ensure all employees wear the personnel protective equipment when working in or in close proximity to any harmful or potentially risky work area(s).

*Note 10: Protective equipment for eyes, hands, feet, ears, hearing, body and breathing.*

#### 8.c Machine Safety

The IKEA supplier shall ensure that all machines and other equipment used in production are equipped with the necessary and required <sup>(11)</sup> safety device <sup>(12)</sup> in order to prevent personnel injuries.

*Note 11: Machines and other equipment marked with CE-labels, that have not been tampered with or modified are to be considered as fulfilling the Health & Safety requirements.*

*Note 12: i.e. Emergency stop buttons, gates and safety cages to prevent injuries caused by crushing, squeezing, cutting, etc.*

#### 8.d Warning Signs

The IKEA supplier shall ensure that warning signs <sup>(13)</sup> are posted at designated work area(s), in close proximity to machines and other equipment, and at entrances to such area(s) where such machine(s) or equipment are used.

The IKEA supplier shall ensure that all its employees abide by the content of the posted warning signs.

*Note 13: Risks and hazards can either be described in the form of figurative signs or described in a written instruction or procedure. The warning signs should also show where to use personnel protective equipment.*

#### 8.e Training and Records

The IKEA supplier shall ensure all employees are aware of the safety risks associated with the supplier's production facility. Safety instructions must be available and easily accessible.

Employees shall be given the necessary and adequate safety training before operating machines and other equipment (e.g. as one part of an introduction programme). IKEA suppliers shall keep records of training.

#### 8.f Washing and Toilet Facilities

The IKEA supplier shall ensure an adequate number of washing and toilet facilities are available for both men and women, and ensure they are maintained.

#### 8.g Drinking Water

The IKEA supplier shall provide clean drinking water to all employees. Clean drinking water must be provided, free of charge and within a reasonable distance of the work area(s).

#### 8.h First Aid Equipment

The first aid equipment shall be available to co-workers. The extent of the first aid equipment shall be based upon the size of the facility, the extent of the activities performed as well as the potential risk of injury. As a general rule, each floor and each building should have at least one first-aid box.

#### 8.i First Aid training

The IKEA supplier shall have at least one first-aid trained personnel present during working hours covering all production shifts.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



## IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise

8.j Other obvious occupational safety hazards  
The KEA supplier shall make sure that other occupational hazards of an immediate character e.g. severely damaged staircases, dangerous electrical wires close to workers, big holes in the floor etc are avoided.

### 9. Provided Housing Facilities

#### 9.a General

If there is legislation within this area, the IKEA supplier shall abide by legal requirements. The IKEA supplier shall also, when providing housing facilities to its employees, ensure reasonable cleanliness, privacy, quietness, personal hygiene and access to drinking water. No restrictions shall be applied infringing on the employee's right to leave the housing facility during his/her free time.

Employees, for whom accommodation is provided, shall be provided with his/her own individual bed/mattress. The living space provided per individual shall be according to the legal requirements, and if there are no such requirements, the average area for each person should not be less than two square metres.

Separate accommodations, toilets and showers shall be available for men and women respectively.

#### 9.b Fire Safety for Housing Facilities

Demands as per section 7.

### 10. Wages and Working hours

#### 10.a General

The employees at the IKEA supplier should be employed according to legislation and there should be a contract written accordingly. The IKEA supplier shall pay wages to its employees (applicable also to temporary workers, trainees and workers on trial), including compensation for overtime, and working hours in accordance to legal requirements.

#### 10.b Working Hours and Overtime

While suppliers to IKEA have to have flexibility in scheduling, weekly working time must not exceed the legal limit. Suppliers shall not require their personnel to work more than sixty hours per week on a regularly scheduled basis, including overtime. Working hours exceeding normal working hours per week must be on a voluntary basis. Employees shall have at least one day off in seven, as well as time off from their job according to existing legislation, local traditions and standards.

IKEA can, during extraordinary business conditions, accept that the supplier obtains waivers from the local labour authority to temporarily exceed the maximum overtime hours. The waiver must always be in writing and presented to IKEA upon request.

The KEA supplier shall provide its employees with appropriate time off for meals and breaks. At least one break per day and shift should be 30 minutes or more.

#### 10.c Wages

The KEA supplier shall compensate its employees at a rate at least corresponding to the legislated minimum wage.

Wages shall be paid at regular intervals and on time with respect to work performed, according to local legislation. Wages shall be paid at least monthly.

#### 10.d Obligations

The IKEA supplier shall provide its employees with all legally mandated obligations to which they are entitled. These could be medical insurance, social insurance, pensions etc.

#### 10.e Records

The IKEA supplier shall maintain payroll records pertaining to the documented payment of wages and working hours for each employee, including piece-rate and temporary workers.

The IKEA supplier shall make available – upon request – the above mentioned records during the course of an IWAY Audit <sup>(14)</sup> to confirm adherence to sector 10.a.

The IKEA supplier shall - prior to employment - provide written information to the employee (this also counts for temporary workers) regarding wages and the terms of employment. In conjunction with the payment of wages at regular intervals, the employee shall receive details of the wages, including overtime hours, and other legal or agreed upon deductions.

*Note 14: Payroll records are to be seen as confidential records and shall be handled according to applicable legislation.*

### 11. Child Labour

#### 11.a General

Child labour is defined as work performed by children, which interferes with a child's right to healthy growth and development and denies him or her the right to quality education. The IKEA supplier shall not make use of child labour <sup>(15)</sup>. All measures to avoid child labour shall be implemented taking into account the best interests of the child. The supplier shall sign a document where it is stated that they recognise and abide by IKEA Child labour requirements.

The IKEA supplier must abide by the United Nations Convention on the Rights of the Child (1989), and comply with all relevant national and international laws, regulations and provisions applicable in their country of production.

The IKEA supplier shall take the appropriate measures to ensure that no child labour occurs at their own place of production or at sub-suppliers place(s) of production <sup>(16)</sup>. The supplier shall maintain a Labour force register including date of birth for all the workers.

The IKEA supplier shall effectively communicate to all its Suppliers, as well as to its employees, the content of the "IKEA Way on Preventing Child Labour".

*Note 15: According to ILO Minimum Age Convention no. 138 (1973), a child is defined as any person less than fifteen years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling. In which case the higher age would apply. If the local minimum working age is set at fourteen years of age in accordance with exceptions for developing countries, the lower age will apply.*

*National laws or regulations may permit the employment or work of persons 13 to 15 years of age or 12 to 14 years of age on light work which is:*

- a) Not likely to be harmful to their health or development; and
- b) Not such as to prejudice their attendance at school, their participation in vocational orientation or training programmes approved by the competent authority or their capacity to benefit from the instruction received."

*Note 16: If child labour is found in any place of production, IKEA will require the supplier to establish a corrective action plan. The action plan shall take the child's best interests into consideration, i.e. family and social situation and level of education. Care shall be taken not merely to move child labour from one supplier's workplace to another, but to enable more viable and sustainable alternatives for the children*

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY[Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



#### 11.b Young Workers

The IKEA supplier shall protect young workers of legal working age, up until the age of 18, from any type of employment or work which, by its nature or circumstances in which it is carried out, is likely to jeopardise their health, safety or moral.

### 12. Forced & Bonded Labour

#### 12.a General

The IKEA supplier shall not make use of forced<sup>[17]</sup>, prison<sup>[18]</sup>, bonded<sup>[19]</sup>, indentured or involuntary labour<sup>[20]</sup>.

The IKEA supplier shall allow its employees to freely leave the factory premises when his/her work shifts ends. The IKEA supplier shall sign agreement regarding IKEA's Forced and bonded labour requirements.

*Note 17: Forced labour is understood as all work or service that a person is compelled to carry out under any threat of punishment or confiscation of any personal belongings, such as ID card, passport etc., and for which work the said person has not offered him/herself voluntarily.*

*Note 18: Use of state or military prisoners at the supplier or at sub-supplier is prohibited.*

*Note 19: Bonded labour is understood as labour not only physically bonded, but also bonded by financial debts, such as loans, gambling debts, providing housing facilities etc.*

*Note 20: If guest workers or temporary labour are employed on a contractual basis, such workers shall never be required to remain employed against their own will, for any period beyond the agreed time of the contract. The supplier shall pay all commissions and other fees to the recruitment agency in connection with their employment.*

### 13. Discrimination

#### 13.a General

The IKEA supplier shall, as a general principle, base decisions pertaining to hiring, salary, fringe benefits, promotion, termination and retirement on workers individual skills and ability to do the job.

The IKEA supplier shall not discriminate with regards to employees based on race, creed, sex, marital or maternal status, age, national origin, sexual orientation or any other basis prohibited by law.

At the same time, respect for local culture and religions shall be taken into consideration when evaluating the prevailing situation.

### 14. Freedom of Association

#### 14.a General

The IKEA supplier shall ensure that employees are not prevented from associating freely with any lawful organisation that represents the best interests of such.

The IKEA supplier shall not prevent employees from exercising collective bargaining<sup>[21]</sup>.

*Note 21: Collective bargaining is defined as negotiations between the suppliers and employees representatives by the own choice of the personnel.*

### 15. Harassment, Abuse and Disciplinary Practises

#### 15.a General

The IKEA supplier shall not engage in or support the use of; corporal punishments, threats of violence, other

forms of mental or physical coercion, disciplinary actions or engage in sexual harassment.

#### 15.b Reprimands and Dismissals

The IKEA supplier shall not make use of public warning and punishment systems. Reprimands for breach of duty or misconduct shall be a private matter between the employer and the employee and/or its representative. The employee at the supplier should have the right to appeal reprimands/disciplinary actions/dismissal. These appeals should be recorded.

### 16. Routines for procurement of wood

#### 16.a General

The requirements in section 16-19 are only applicable for suppliers delivering or producing IKEA articles containing solid wood, veneer, plywood or layer glued wood (below referred to as "wood").

The IKEA supplier shall for IKEA products, only use wood that have been produced in compliance with existing laws & legislation and accepted forest practices within the country and/or region where the wood originates from.

The IKEA Supplier shall have a responsible person and the existence of a procurement procedure to ensure that all wood used in IKEA products, comply with IWAY requirements. Before starting up business with a new supplier the Level 1 requirements must be fulfilled, i.e. the FTS must be completed and the supplier must not use any wood from High Conservation Value Forests and Intact Natural Forests (see section 17).

New suppliers to IKEA, not fulfilling the IWAY requirements for Wooden Merchandise (section 16-19), must establish a written action plan to ensure adherence to the requirements within a period of 3 months.

#### 16.b Procurement Routine

The IKEA supplier shall maintain records of the origin of all wood sources. This must be defined to at least the specific region within the country.

The IKEA supplier shall establish and maintain a register of all wood sources used over the course of the last 12 months.

The IKEA supplier shall sign written agreements with all wood suppliers, covering the IWAY requirements. Each part in the wood supply chain is responsible for securing that the next part in the chain complies with the IWAY requirements.

If the IKEA supplier mixes or utilises wood that does not comply with IKEA's IWAY Requirements, the supplier shall establish and implement a procedure to ensure that adequate storage facilities exist to separate non-complying wood from wood used for IKEA products, and secure this throughout the whole process.

The IKEA supplier shall inform people responsible for the wood procurement about the IWAY requirements.

In the event that maps of intact natural forests have been distributed by IKEA to the IKEA Supplier, the IKEA Supplier shall use these maps to secure that the wood does not come from intact natural forests.

1. IKEA Way on Purchasing Home Furnishing Products
2. IKEA IWAY [Standard minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise]



## IWAY Standard

Minimum Requirements for Environment, Social & Working Conditions and Wooden Merchandise

### 16.c Follow up and audit

The KEA Supplier shall, through IKEA's Forest Tracing System document, provide IKEA with information about the origin of all wood sources that have been used in IKEA products.

The KEA supplier shall support on-site audits conducted by either; an IKEA Audit Team, an independent Auditor(s) or Audit Organisation recognised by IKEA. IKEA reserves the right to perform unannounced audits at various links in the supply chain, to verify that the IWAY requirements are fulfilled. IKEA Suppliers shall allow for confidential employee interviews and shall maintain and allow access to all documentation and records as required.

The KEA supplier must – upon request from IKEA or by a 3<sup>rd</sup> party appointed by IKEA - be able to report the origin of the wood within 48 hours.

### 17. Protected areas, Intact Natural Forests and High Conservation Value Forests

#### 17.a General

The KEA supplier shall not utilise wood from Intact Natural Forests <sup>(22)</sup> or nationally/regionally recognised and geographically identified High Conservation Value Forests <sup>(23)</sup> unless the forest area is certified according to a standard recognised by IKEA.

*Note 22: Intact Natural Forests: Forests that are intact, i.e. unfragmented with a minimum block size of 50 000 ha, where no systematic forest management has been carried out within the area and where access to the area is restricted, i.e. no roads, mines, pipelines etc.*

*Note 23. High Conservation Value Forests: Forests that possess one or more of the following attributes:*  
 a) Forest areas containing globally, regionally or nationally significant concentrations of bio diversity values (e.g. endangered species); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance  
 b) Forest areas that are in or contain rare, threatened or endangered ecosystems.  
 c) Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).  
 d) Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional/cultural identity (areas of cultural, ecological, economic or religious significance identified in co-operation with such local communities).

#### 17.b Protected areas

The KEA supplier shall not utilise wood from protected areas (e.g. national parks, nature reserves) unless it can be proven that the wood has been harvested in accordance with management prescriptions for the protected area and/or has been certified according to a standard recognised by IKEA.

### 18. Plantations in tropical and sub-tropical areas

#### 18.a General

The KEA supplier shall not utilise wood from plantations in tropical and sub-tropical region, that have been established after Nov 1994 by replacing Intact Natural Forests.

### 19. High Value Tropical Tree Species

#### 19.a General

The KEA supplier shall only use high value tropical tree species <sup>(24)</sup> that are certified according to FSC or other IKEA recognised level 4 standards.

*Note 24. High-value tropical tree species: teak, meranti, rosewood, mahogany, etc.*

*IFBBWW – IKEA agreement on rights of workers*

At the International Federation of Building and Wood Workers' (IFBWW) Wood and Forestry Committee meeting in Geneva on Monday 25 May 1998, IKEA, one of the world's largest retail chains within the furniture sector and IFBWW signed a cooperation agreement on matters concerning working conditions, the natural environment and health and safety for workers at enterprises throughout the world that manufacture and supply goods for IKEA.

Under the terms of this agreement IKEA will demand of its suppliers that their workers enjoy working conditions which at least comply with national legislation or national agreements. Suppliers must, furthermore, respect any relevant ILO Conventions and Recommendations relating to their operations. This means, for example, that no child labour can be tolerated and that workers have unrestricted rights to join trade unions and to free collective bargaining. These rules already apply at manufacturing companies owned by IKEA.

The Agreement was signed by Mr Stig Holmqvist, International Procurement Strategies Director of IKEA and Mr Gunnar A Karlsson, Chair of the IFBWW Wood and Forestry Committee and President of the Swedish Wood Workers Union. The Agreement was subsequently endorsed by the IFBWW Executive Committee on 28 May 1998. The final Agreement was preceded by an earlier round of negotiations between IKEA and Nordic Federation of Building and Wood Workers which culminated in a Joint Declaration signed on 13 March 1998 (see FaxNews no. 118).

The Agreement covers almost 1,000,000 workers.

## **Agreement Between IKEA and the International Federation of Building and Wood Workers, IFBWW**

IKEA is one of the world's leading home furnishing companies, with procurement in some 70 countries, and retailing in approximately 30 countries. The company is faced every day with cultural differences and diverse economic and social conditions.

IKEA's development confirms the growing globalisation and trade in manufactured goods. For a number of years the company has operated an internal Code of Conduct on ethical and social conditions in its relations with contractors all over the world.

The IFBWW and IKEA have each built up international experience over the years and are agreed on the advantages of long-term, stable rules of conduct for all parties in both producer and purchaser countries, which may also provide standards for industries other than the wood industry.

The Code of Conduct which is attached in Appendix 1, signifies that IKEA is demanding of its contractors that their employees have conditions of employment which do at least

**fulfil the requirements of their national legislation. The suppliers must respect those ILO Conventions and Recommendations which apply to their business. It means that child labour is not acceptable and that the workers are free to join trade unions and take part in free collective bargaining.**

**A similar Code of Conduct also applies to manufacturing companies owned by IKEA. The Code of Conduct in Appendix 1 will be available at all work-places in the appropriate languages.**

**A Monitoring Group will be appointed with two members from IKEA and two members from the IFBWW. The Monitoring Group will meet at least twice a year, and the parties shall provide relevant information in order to carry out its mandate. The group shall aim to hold its meetings at suppliers' premises.**

**If suppliers do not observe the Code of Conduct as in Appendix 1, the Monitoring Group will review the matter and propose appropriate measures. However, it is always IKEA's responsibility to regulate conditions of collaboration with its suppliers.**

**Geneva, Switzerland, 25 May 1998**

**IKEA INTERNATIONAL A/S**  
*Stig Holmqvist*

**IFBWW's Wood and Forestry Committee**  
*Gunnar A. Karlsson*  
[Top of page](#)

**Appendix 1 to the Agreement between IKEA and the International Federation of Building and Wood Workers, IFBWW:**

## **Code of Conduct regarding the rights of workers**

### **1. Employment must be freely chosen**

No coercion may be used, including forced labour, slavery or non-voluntary work in prisons (ILO Conventions nos. 29 and 105). Nor must workers be asked to make "deposits" or leave their ID as pledges with their employers.

### **2. No discrimination in employment**

There will be equal opportunities and equal treatment regardless of race, colour, gender, creed, political views, nationality, social background or any other special characteristics (ILO Conventions nos. 100 and 111).

### **3. Child labour must not be used**

Child labour must not occur. Only workers aged 15 and over, or over the age of compulsory education if higher, may be employed (ILO Convention no. 138). Exceptions to this rule may only be made if national legislation provides otherwise.

### **4. Respect for the right to freedom of association and free collective bargaining**

The right of all workers to form and belong to trade unions shall be recognised (ILO Conventions nos. 87 and 98). Workers' representatives may not be discriminated against and must have access to all the work-places necessary to exercise their functions as trade unions representatives (ILO Convention 135 and Recommendation 143). Employers shall adopt positive views of the activities of trade unions and an open attitude to their organising activities.

### **5. Adequate wages must be paid**

Wages and conditions of work must fulfil at least the requirements laid down in national agreements or national legislation. Unless wage deductions are permitted by national legislation they may not be made without express permission of the workers concerned. All workers must be given written, understandable information in their own language about wages before taking up their work, and the details of their wages in writing on each occasion that wages are paid.

### **6. Working time must not be unreasonable**

**Working time should follow the appropriate legislation or national agreements for each trade.**

## **7. Working conditions must be decent**

**Working environments must be safe, hygienic and the best health and safety conditions must be promoted considering current knowledge of the trade and any special hazards. Physical abuse, the threat of physical abuse, unusual penalties or punishments, sexual or other forms of harassment and threats by the employer shall be strictly forbidden.**

## **8. Conditions of employment must be established**

**Employers' obligations to workers according to national labour legislation and regulations on social protection based on permanent employment must be respected. Apprenticeships that do not truly aim to provide knowledge must not be permitted. The parties shall work towards creating permanent employment.**

## Revised agreement between IKEA and the IFBWW

The Swedish furniture company IKEA and IFBWW signed an agreement on the promotion of workers rights at IKEA wood suppliers in May 1998. IKEA has now developed its own Code of Conduct for their suppliers. A revision of the old IKEA/IFBWW agreement for wood suppliers has been done to include reference to this new company Code of Conduct, "The IKEA Way on Purchasing Home Furnishing Products". Follow up and co-operation between IKEA and IFBWW on the implementation is continuing in different countries and regions and on health and safety and forestry. The full text of the agreement and its attachment reads as follows:

The IKEA Group is one of the world's leading home furnishing companies, with procurement in some fifty countries and retailing in presently twenty-two countries. The IKEA Group is faced everyday with cultural differences and diverse economic and social conditions.

The International Federation of Building and Wood Workers (IFBWW) is an international trade union organisation organising building, wood and forestry workers world wide. IFBWW's primary task is to promote and protect worker's rights in the aforementioned industries.

Both parties appreciate that the agreement signed in May 1998 between IKEA and IFBWW had the purpose of achieving certain minimum standards based on the ILO Declaration on Fundamental Principles and Rights at Work (eight core conventions). Both parties note that IKEA's wood suppliers' employment terms and conditions have been further expressed and developed into the "The IKEA Way on Purchasing Home Furnishing Products", attached hereto as Annex 1. "The IKEA Way on Purchasing Home Furnishing Products" includes provisions mainly based on the UN Declaration of Human Rights, 1948, the ILO Declaration on Fundamental Principles and Rights at Work (eight core conventions), 1998, and the Rio Declaration on Sustainable Development, 1992.

IKEA wants to influence and support their suppliers to achieve the requirements stated in "The IKEA Way on Purchasing Home Furnishing Products". A contract based on "The IKEA Way on Purchasing Home Furnishing Products" has been introduced world-wide and is being implemented in relation to all suppliers of IKEA products. IKEA has established a compliance organisation with the task to support and monitor the compliance work.

Both IKEA and IFBWW appreciate the value of a continued co-operation and henceforth see it beneficial to have a joint group that will meet twice per year, one meeting being organised by IKEA and the other by IFBWW. IKEA will inform IFBWW of the progress of the implementation of "The IKEA Way on Purchasing Home Furnishing Products" for advice and comments from the group. Should the IFBWW become aware of any contravention of "The IKEA Way on Purchasing Home Furnishing Products", IFBWW will report this to the group which will review the matter and propose appropriate measures. Furthermore, the parties will at such meetings exchange general information and experiences within the field of subjects covered by the "The IKEA Way on Purchasing Home Furnishing Products".

This Agreement fully replaces the agreement signed in May 1998.

Leiden, 17 December 2001  
IKEA Services B.V  
Anders Dahlvig

Geneva, 19 December 2001  
International Federation of Building and Wood Workers  
Anita Normark

Annex 1:

Issued by IKEA International A/S May 2000

IFBWW – IKEA agreement on rights of workers

The IKEA Way on Purchasing Home Furnishing Products

### 1. The IKEA Concept in a Nutshell

To create a better everyday life for the many people.

What does this mean?

We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

How can it be achieved?

- \* Through a rational product range development and by adapting product design to production conditions.
- \* Through a rational distribution idea in combination with a caring meeting with the many people.
- \* Through a strict cost-consciousness in all areas.

Who can achieve this?

A group of humble, strong-willed enthusiasts who appreciate a simple and straightforward life style, where the human being and togetherness are ends in themselves.

### 2. Customers and Suppliers in Focus

We have decided once and for all to side with the many. This is an objective that carries obligations.

Our customers expect low prices for well-designed and functional home furnishing products of good quality, manufactured under acceptable working conditions by suppliers that care for the environment.

IKEA is a production-oriented retailing company. We strive to build long-term relationships with suppliers that share our commitment to promote good practices, and who want to grow and develop together with IKEA.

Suppliers can expect from IKEA:

- \* to be reliable,
- \* to adapt our products to production,
- \* to contribute to efficient production,
- \* to care for the environment,
- \* to support material- and energy saving techniques,
- \* to take a clear standpoint on working conditions,
- \* to respect different cultures,
- \* to have clear and mutually agreed commercial terms.

### 3. Producing for IKEA Includes the Following Requirements

Legal Requirements

## IFBWW – IKEA agreement on rights of workers

Suppliers must comply with national laws and regulations and with international conventions concerning the protection of the Environment, Working Conditions and regarding Child Labour.

## Working Conditions

IKEA expects its suppliers to respect fundamental human rights, to treat their workforce fairly and with respect.

Suppliers must:

- \* provide a healthy and safe working environment,
- \* pay the legal minimum wage or the local industry standard and compensate for overtime,
- \* if housing facilities are provided, ensure reasonable privacy, quietness and personal hygiene.

Suppliers must not:

- \* make use of child labour,
- \* make use of forced or bonded labour,
- \* discriminate,
- \* use illegal overtime,
- \* prevent workers from associating freely with any workers<sup>1</sup> association or group of their choosing or collective bargaining,
- \* accept any form of mental or physical disciplinary action, including harassment.

## Environment and Forestry

At IKEA, we shall always strive to minimise any possible damaging effects to the environment, which may result as a consequence of our activities. Therefore, IKEA and its suppliers shall continuously reduce the environmental impacts of operations.

Suppliers must:

- \* reduce waste and emissions to air, ground and water,
- \* handle, store and dispose of hazardous waste in an environmentally safe manner,
- \* contribute to the recycling of materials and used products,
- \* use solid wood from known areas and, if possible, from sources that are well managed and preferably independently certified as such.

Suppliers must not:

- \* use or exceed the use of substances forbidden or restricted in the IKEA list of "Chemical Compounds and Substances",
- \* use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

**Annex 3 contains:**

**1 The ICFTU base code**

**2 Comparison of IKEA standards with ICFTU model code.**

**Annex 3: ICFTU base code**

Preamble

1. (name of company) recognises its responsibilities to workers for the conditions under which its products are made or its services are provided and that these responsibilities extend to all workers producing or providing products or services for (name of company) whether or not they are employees of (name of company).

2. Any workers producing or providing products or services manufactured, sold or distributed by (name of company) must be provided with living wages and decent working conditions, and the international labour standards established by Conventions 29, 87, 98, 100, 105, 111, 135 and 138 of the International Labour Organisation must be observed.

3. (name of company) will require its contractors, their sub-contractors, principal suppliers and licensees (franchise-holders) to provide these conditions and observe these standards when producing or distributing products or components of products for (name of company) or when providing services sold by (name of company). (name of company) will, prior to placing orders with principal suppliers, engaging contractors and subcontractors or granting licenses (franchises), assess whether the provisions of this Code can be met.

4. For the purposes of this code the term contractor shall mean any natural or legal person who contracts with (name of company) to perform work or provide services. The term "sub-contractor" means any natural or legal person who contracts with a contractor, as defined above, for the purpose of performing work or providing services related to or as part of an agreement with (name of company). The term "principal supplier" means any natural or legal person who provides (name of company) with materials or components used in the final products, or the final products, sold by (name of company). A principle supplier may be a person who provides services where these services are considered part of the final product provided by the (name of company). The terms "licensee" and "franchise-holder" mean any natural or legal person who, as part of a contractual arrangement with (name of company), uses for any purpose the name of (name of company) or its recognised brand names or images.

Provisions

5. (Name of company) and its contractors, their subcontractors, principal suppliers and licensees (franchise holders) involved in the production and/or distribution of products or services for (name of company) shall ensure that:

**EMPLOYMENT IS FREELY CHOSEN**

There shall be no use of forced, including bonded or involuntary prison, labour (ILO Conventions 29 and 105). Nor shall workers be required to lodge "deposits" or their identity papers with their employer.

**THERE IS NO DISCRIMINATION IN EMPLOYMENT**

Equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristics shall be provided (ILO Conventions 100 and 111).

**CHILD LABOUR IS NOT USED**

There shall be no use of child labour. Only workers above the age of 15 years or above the compulsory school-leaving age, whichever is higher, shall be engaged (ILO Convention 138). Adequate transitional economic assistance and appropriate educational opportunities shall be provided to any replaced child workers.

**FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED**

The right of all workers to form and join trade unions and to bargain collectively shall be recognised (ILO Conventions 87 and 98). Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135 and Recommendation 143)

Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.

**LIVING WAGES ARE PAID**

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.

Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers shall be provided written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid.

**HOURS OF WORK ARE NOT EXCESSIVE**

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

**WORKING CONDITIONS ARE DECENT**

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

**THE EMPLOYMENT RELATIONSHIP IS ESTABLISHED**

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be provided the opportunity to participate in education and training programmes.

#### Closing section

6. Contractors, subcontractors, principal suppliers and licensees (franchise-holders) shall undertake to support and co-operate in the implementation and monitoring of this code by:

- providing (name of company) with relevant information concerning their operations;
- permitting inspection at any time of their workplaces and operations by approved inspectors;
- maintaining records of the name, age, hours worked and wages paid for each worker and making these available to approved inspectors on request;
- informing, verbally and in writing, the workers concerned of the provisions of this Code; and,
- refraining from disciplinary action, dismissal or otherwise discriminating against any worker for providing information concerning observance of this code.

7. Contractors, subcontractors, principal suppliers and licensees (franchise-holders) found to be in breach of one or more terms of the code shall lose the right to produce or organise production of goods for (name of company) or to provide services for (name of company).

8. Questions as to the interpretation of the meaning of the provisions of the code shall be resolved according to the procedure outlined in the (name of implementation and monitoring agreement between the company and trade union and any other organisations)

9. The provisions of this code constitute only minimum standards. (name of company) does not intend, will not use, and will not allow any contractor, subcontractor, principal supplier or licensee to use these minimum standards and conditions as maximum standards or as the only conditions permitted by (name of company) or to serve as the basis for any claim as to what standards or conditions of employment should be provided.

**Comparison of IKEA standards with ICFTU model code.**

The table shows whether IKEA has included the standards in their Code of conduct, whether they are in the ICFTU model code, and which ILO Conventions cover the standards.

	IKEA	ICFTU	ILO Norms	Description
EMPLOYMENT IS FREELY CHOSEN	Yes	yes	ILO conventions 29 and 105	There shall be no use of forced, including bonded or involuntary prison, labour. Nor shall workers be required to lodge "deposits" or their identity papers with their employer
THERE IS NO DISCRIMINATION IN EMPLOYMENT	Yes	yes	ILO conventions 100 and 111	Equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristics shall be provided
CHILD LABOUR IS NOT USED	Yes	yes	ILO convention 138	There shall be no use of child labour. Only workers above the age of 15 years or above the compulsory school-leaving age, whichever is higher, shall be engaged. Adequate transitional economic assistance and appropriate educational opportunities shall be provided to any replaced child workers.
FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED	yes	yes	ILO conventions 87 and 98 and 135 and recommendation 143	The right of all workers to form and join trade unions and to bargain collectively shall be recognised. Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.
LIVING WAGES ARE PAID	wages should at least fulfil the requirements laid down in national agreements or national regulations.	yes		Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide

				some discretionary income. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers shall be provided written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time they are paid
HOURS OF WORK ARE NOT EXCESSIVE	Working time should follow the appropriate legislation or national agreements for each trade	yes		Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate
WORKING CONDITIONS ARE DECENT	Yes	yes		A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.
THE EMPLOYMENT RELATIONSHIP IS ESTABLISHED	Employers' obligations to workers according to	yes		Obligations to employees under labour or social security laws and regulations arising from

	<p>national labour legislation and regulations on social protection based on permanent employment must be respected. Apprenticeships that do not truly aim to provide knowledge must not be permitted. The parties shall work towards creating permanent employment</p>			<p>the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.</p>
--	---	--	--	--

**Annex 4 contains:  
Results India**

## Annex 4: India

### India

India is a federal State. Therefore both federal and state laws exist simultaneously. Even though there may be some overlapping in the legislative laws, the minimum wage regulation is mainly based on state level. This leads to different minimum wages in different states. However, the Industrial Disputes Act, Labour Laws, Shops and Establishment Act, and other legislations applicable apply uniformly all over India.

#### India: Factory 1

The factory is widely spread, flatted, enclosed by farm lands. It is a family owned business. The workers know of two factories owned by the same owners. It is possible the owners also own more factories. This factory makes a number of products. It is involved in made ups which are textile items like bedcovers, cushion covers, etc., and also floor coverings like tufted carpets. Factory 1 produces tufted carpets for IKEA.

*The process: broadly the floor covering industry has carpets and mats or dhurries. Carpets can be tufted or woven. Woven carpets are more expensive, limited in design and are the traditional carpets as made in the past in India, Middle East and other parts of the world. It also takes long to manufacture woven carpets. The process of weaving was earlier taught by the father to the son and therefore the designs were only known to specific families. Of course, this has changed now.*

*Less expensive and of greater volume are the tufted carpets. A base of canvas or jute is taken and hung horizontally on a frame. Small pieces of wool are pushed between the weft and warp of the canvass. This is done with the help of a mechanical or an electrical gun. One can make many designs in the process and work fast. The reverse of the carpet is sealed by a process of gumming and the wool on the front is evenly sheared. This is the binding process. The tufting process is back breaking and workers at times stand on a stool to do the tufting because of the size of the carpet. There have been instances when the workers have fallen backwards in the process of tufting.*

#### Subcontracting

All products were not made exclusively in factory 1 as also products are sourced from other factories. During peak periods it is possible that complete products are sourced from other factories while only the packing is still done in factory 1. According to the workers the sourcing factories are run by relatives and friends. Sourcing is occurring frequently. Names of the subcontracting factories were mentioned to the researchers by the supervisors.

#### Methodology for interviewing workers

In a first meeting three workers were interviewed. Subsequently, one supervisor was interviewed by the researchers. Following three workers were interviewed in a tea shop and finally in the house of one worker there were five workers interviewed. A total of 12 workers were thus interviewed at different points in time. Some of the workers interviewed had worked for both factory 1 as for one of the other factories of the same owner. The workers interviewed were from the tufting department and the binding department and one from the checking department. During the period the interview was conducted factory 1 had 400 workers, of which 20 are women and factory 2 had 150 workers, of which 12 are women. The two factories have more capacity for production and when there are more orders contract labour could be increased.

*The women workers did mostly menial jobs e.g. cleaning and their work is often used in the dyeing processes. They manage the drying process which is manual. The yarn is put in the open to dry. It has to be turned around often.*

## WORKING CONDITIONS

### Employment is freely chosen

There is no evidence of forced labour or bonded or involuntary labour.

### There is no discrimination in employment

No discrimination is made with respect to caste or religion. Men workers are preferred by this factory because of the distance from the city and the fact that in case of overtime the women workers are not permitted to stay beyond 8:30 p.m. Women workers do not have supervising jobs and they are paid less than men for doing the same job.

### Child labour is not used

There is no child labour in this factory. In fact, the supervisor of factory 1 mentioned that IKEA was very particular about this. IKEA had stopped giving orders to this factory because of child labour. As now they do not employ children anymore IKEA is working with them again.

According to the researchers it is likely that in some of the subcontracting factories, child labour is used. The researchers inspected other factories in the same area where they have found children working in the factory and pretending (1) they were visiting their parents (2) their school had finished and they had no where else to go (3) a false class room was made in the factory where the children went when a buyer was visiting. Further research would be necessary to confirm this.

### Freedom of association and the right to Collective Bargaining are respected

Workers are discouraged to form any group or union within the factory or to join unions from outside of the factory. In fact, the workers who voice their grievances are dismissed as they are seen as potential trouble makers.

### Living wages are paid

The monthly salaries a worker should earn under the law are:

Unskilled worker e.g. a sweeper	Rs. 2050 per month
Semiskilled worker e.g. a trainee	Rs. 2100 per month
Skilled – tufter, binder, checker, etc.	Rs. 2310 per month

The minimum wage is for 48 hours a week as is stated in the Factories Act. The working hours are maximum 9 hours per day. When combined with the lunch time, tea break etc. the worker should not be in the factory more than 10 ½ hours a day. The minimum wages do not include bonus or other welfare facilities.

Most workers are on piece rate. The workers on piece rate are employed through a contractor. They earn about Rs. 50 to Rs. 60 per day. The workers say they earn as little as Rs. 500/- per month during the lean months. The regular workers were paid Rs. 1800 per month in 2001 and in 2002 they are getting Rs. 1900/- per month.

Salary for a worker that is tufting the carpets – A worker gets Rs. 48 per yard (36 cm). A young worker who is good at his work can weave 1 ½ yards per day when working 10 hours or more a day. If such a worker worked all 30 days in a month for 10 hours or more every day he would earn Rs. 2160 per month. The workers are earning below minimum wage in a 48 hour week.

No statutory deductions e.g. Provident Fund, Employee State Insurance are made. No bonus is paid to the workers and they are not paid for any holidays.

**India**

The workers who live in the 'colony' get free accommodation and the contractor also gives them oil and soap once a month. On average a worker spends Rs. 1,000/- on his food and the balance he sends to his village, or uses for his families needs e.g. education, clothes etc.

*The workers received the salary generally on time. The pay day is around the 10<sup>th</sup> of every month. However, there had been an incident recently when the contractor had run away with the money he had received from the factory for the payment of worker's wages and the workers were not paid at all. All requests by the workers to seek management's intervention bore no fruit and the workers went without their wages. As per Law the ultimate responsibility for ensuring correct payments of wages to the workers is that of the factory owners.*

The workers sign the receipt of the payment of wages on a register. The correctness of payment of wages can not be verified by the workers.

**Hours of work are not excessive**

Since a piece rate worker is paid by the number of pieces he makes overtime is not a concern of the owner. According to the law the workers can work 50 hours overtime in three months. Anything above that needs approval from the labour inspector's office. This permission is however never asked for. The law provides for double wages for overtime. The working hours should not exceed 48 hours in a week and 9 hours in a day. The total hours in the factory including rest interval should not be spread over more than 10 ½ hours in a day. Every worker is to be given one holiday-day in a week. If a worker works on a holiday he is allowed a compensatory holiday for each holiday so lost within the same month.

In this factory the normal working hours are from 9:00 a.m. to 6:00 p.m. with half an hour lunch break and two 15 minutes short tea breaks.

Overtime: there is no punching of the cards. The security guards note in their register the time each worker departs. In the month before the interviews the workers only worked two to three nights overtime. In 2001 however the workers sometimes had overtime 20 days in a month, i.e. from 6:00p.m. To 1:00 a.m. When workers are doing overtime they find it difficult to go home late at night so they sleep in the factory and start working again in the morning.

The workers are working 6 1/2 days per week, which is half a day more than allowed by law. They are not compensated for this. Regular workers on monthly payroll will get overtime at normal salary rate and not twice salary rate as per the law. There is no overtime concept for piece rate workers as they are paid what they make.

The workers are made to work for at least 9 hours a day, 6 ½ days per week. Depending on the job requirement the workers work 12 to 15 hours per day. So this is a violation of overtime law.

**Working conditions are decent**

*Several violations of the standards are mentioned by the workers.*

- \* The factories are cleaned only when there is a visit by the buyers. The workers are made to wear uniforms when buyers are visiting. Otherwise, they do not wear a uniform. During the working hours, the workers mentioned, they generally do not use the bathrooms and go to the nearby fields. The workers say the bathrooms are not clean. There is no soap and no towels being provided to them.
- \* No fire drills are conducted. There are fire extinguishers and sand but none of the workers are trained for emergencies.
- \* The workers do not wear protection gear.
- \* The workers complain that for minor faults in the production or any other error the workers are physically abused. Even the owner himself hit the workers sometimes. None of the workers the interviewers met had been hit, but physical abuses occur frequently according to the workers. The workers tolerate this behaviour. The only alternative they have is to leave the job, they say.

**India***Housing facilities*

Most of the local workers stay in groups, away from the factory, and closer to the city of Panipat. Both factory 1 and 2 provide living quarters to the workers. This is called a 'colony' by the workers. These quarters are given to those workers who are mostly doing tufting of the carpets as most workers doing the tufting are migrant workers coming from the state of Bihar. Tufting is most tedious part of the industry. Mostly migrant workers are doing tufting as they are the cheapest form of labour. The quarters provided by the employers are free. For a married worker with family, one room is provided. Otherwise 4-6 workers share a room. The colony has a cluster of bathrooms some distance from the living quarters. Sometimes the workers used the open fields. The wives of the workers staying in the colony also sometimes work in the factory.

The interviewers visited the living quarters of factory 1. They were not able to enter those of the other factory of the owner because of security guards posted. The security guards prohibit strangers from entering the premises. They also watch the movement of the workers. The factory has about 40 rooms in the colony. The rooms were not clean, the bathrooms were dirty. The drains were open and clogged. The electric wires were hanging loose and looked very prohibitive. Each room had a single bulb connection. The workers had to arrange for their own fans.

**The employment relationship is established**

No letter of appointment was issued to the workers either by the supplier factory or by the contractor. No monthly salary slips were provided to establish an employment relationship.

**Other issues**

There were no notices of core compliances displayed for the workers to be able to read and the workers are not educated about their rights.

No buyers visited the areas where the workers worked. None of the workers we interviewed have had a chance to interact with the buyers.

Once inside the factory the security guards close the gates. The workers can leave the factory for lunch and/or tea break. Since a number of workers live in the 'colony' behind the factory, they go home for lunch.

**India: Factory 2**

This factory is located in an industrial area. The company has 2 factories. The factory researched manufactures curtains and blinds for IKEA.

Workers are employed as following:

- Fixed Monthly Salary (mostly employees who have a permanent job)
- Fixed Daily Wages (mostly those who do not have a permanent job but who are seen as important to the organization e.g. master, cutter, etc.)
- Piece Rate Worker – those who are paid based on what they produce.

The third category is placed in the factory through a labour contractor. The premises for work are the factory, however, for all other purposes the workers are the employee of the contractor. The owners pay the salary to the contractor who in turn gives it to the workers. The contractor for bringing in the required workforce is given a fixed sum e.g. Rs. 1 for each piece produced.

The law here states that the ultimate responsibility for payment of correct wages to the workers is that of the factory owners. The contractor must have a legal entity in a license form issued to him by the Department of Labour which entitles him to bring the labour to the factory and make regular remuneration to them under the aegis of the factory owners. For this he gets a commission.

**India**

The contract labour are to be treated as normal worker with regard to all statutory requirement and the principal employer (the factory owner) is responsible to ensure that all wages are paid except for gratuity and bonus.

**Methodology for interviewing workers**

There are nearly 500 workers in the factory and approximately 20 to 25 of them are women. Two groups of workers were interviewed. The interviewers met one group of 7 workers after their working hours at 6:30 p.m. close to the factory. The second group was met at 7:30p.m. at the place where the workers lived. In total there were 9 workers present. A total of 16 workers from factory 3 were thus interviewed.

Most of the workers interviewed have been working for factory 3 for 1-2 years, one worker for 4 years.

Factory C employs two types of workers – those that are on fixed salary and those that are on piece rate. Most workers are employed through a contractor and are on piece rate.

**Employment is freely chosen**

There is no evidence of forced, bonded or involuntary labour.

**Discrimination**

There is no discrimination against caste, creed, and religion. The salaries paid to women workers are almost always less than what is paid to men workers. The women workers are mostly in thread cutting department. Women do not have supervisor's jobs. Female workers earn Rs. 1200 to Rs. 1600 per month which is less than the minimum wage for an unskilled worker (see section on wages). Women workers are not made to do overtime beyond 8:00 p.m.

**Child Labour is not used**

Currently no children are employed. At the gate a notice states that workers under the age of 18 need not apply.

**Freedom of association and the right to Collective Bargaining are respected.**

There is no union in the factory and workers are not member of unions outside of the factory. Unions are not encouraged. Any dissent means termination of the job. The interviewed workers mention that the owners inform the contractor not to keep the workers who they see as trouble makers or those who would like to organise together. The contractor in a couple of the month's time slowly breaks the group by not giving jobs to such workers.

*One incident quoted by the workers was that one worker had an argument with a supervisor on a job related matter. Some of the workers got together to support the worker. These workers were picked out by the Management and discharged from the job over a period of time.*

**Living wages are paid**

The minimum wages applicable in the State of Rajasthan as per circular of 13th November 1999 are:

Unskilled worker	Rs. 1560 per month	Rs. 60 per day
Semi Skilled worker	Rs. 1664 per month	Rs. 64 per day
Skilled worker	Rs. 1768 per month	Rs. 68 per day

The workers do not get any salary slip to indicate what their entitlement is and at what rate they are being paid. They keep their own records and very often there is a mismatch especially for those that are paid by the contractor. The workers, however, do not protest. Workers mostly get the salary on time by the 7<sup>th</sup> and sometimes by the 11<sup>th</sup>. However, the workers employed through the contractor, get sometimes not paid until after 1½ months.

**India**

The worker who was on a fixed monthly salary said he was paid Rs. 3200 per month, piece rate workers said they earned between Rs. 1500 to Rs. 4000 per month depending on the work and the amount of overtime they can put in. No statutory deductions towards Provident Fund, Employee State Insurance are made. The workers cannot get any pension benefits, or state medical benefits, therefore. The workers are not paid for any leave or any bonus (which is a mandatory payment).

The workers on fixed monthly salary get different salary for the same job being performed.

When the factory is unable to provide them daily work, the workers remain idle. The workers are never informed beforehand that the following days there will be no work.

The piece rate workers if they worked 48 hours a week only would get less than the minimum wages.

*Five months before the study was undertaken the workers were stitching curtains and blinds which were being bought by IKEA. For a particular size of curtain the workers were paid Rs. 5 per piece. At the time of the study they are paid Rs. 3 per piece. For blinds they were paid Rs. 9 per piece five months before the study and they are being paid Rs. 6.5 per piece at the time of the interview. The sizes of the curtains and the blinds are still the same. The workers were made to sign a new agreement accepting the lower rates.*

The workers feel a sum of Rs. 4000 would be adequate to meet their daily needs and their ability to send some money to their families and aging parents.

For any kind of leave taken, the salary is deducted. Neither the workers on contract nor the workers on regular salary get any paid sick leave, maternity leave, or any kind of leave.

**Hours of work are not excessive**

When overtime is required to be done, the workers cannot refuse. If they refuse they could risk losing their job. They work from 9:30 a.m. to 6:30 p.m. officially. However, very often they work till 8:30p.m. for which they do not get overtime payment. Overtime is only paid when the workers work late night i.e. till 1:00p.m. The overtime is also not paid at twice the rate as is lawfully required. They are paid the normal rate. The workers have had to work through night shifts.

The normal working hours per week is 48 hours. However, during peak season the workers are doing 60-70 hours per week.

There is no phenomenon of a day off after six days of work. If there is work, the workers are expected to work on all days.

The workers do not get any leave. If they work on a Sunday they are paid for that day but not at twice the rate as required by the law for working on a Sunday or a holiday.

Even for national holidays, the factory is generally not closed (exception being August 15<sup>th</sup> (Indian Independence Day) and January 26<sup>th</sup> (Indian Republic Day)).

**Working conditions are decent**

- \* The workers feel the working conditions are inadequate. There are no proper fans or coolers and the weather remains humid and difficult to work in.
- \* They have water cooler for their drinking water
- \* The toilets are clean. There are separate toilets for men and women.
- \* Fire drills have been conducted.
- \* There is a first aid box but access to it is not easy. They prefer going to the private doctors and pay the medical fees themselves.
- \* The workers are shouted at and rebuked for minor or major faults.

**India**

\* The workers cannot enter the factory before 9:00 a.m. In case it is raining they have no shelter around the factory where they can wait.

\* The security does not permit them to meet anyone who comes to meet the workers, even in cases of emergency.

*Housing facilities*

This factory does not provide living accommodation.

*The workers live 13-17 in one room. They cooked out in the open. The surroundings of their living quarters were bleaching grounds. Through out the 2 hours of interview, a strong smell of ammonia was present.*

**The employment relationship is established**

No employment relationship can be established. The workers have no appointment letters or salary slips to prove their employment. By law every worker should be given a letter of appointment and salary slips.

**Other issues**

The workers on contract can leave work if they so desire. The workers on salary are also not encouraged to stay in the company for long. According to the researchers this could be because of the statutory requirements of having to pay 'gratuity' and 'termination benefits' in case the company is retrenching.

There are security guards. Once the workers enter the factory, they cannot leave the factory during working hours. At the beginning of the day a piece worker can choose which factory he wants to work in. When there is no work in one he can go to another. However, when he enters the factory it is not necessary that he will get some work for that day. Many times he is told that work is coming and that he should wait. Since the worker cannot leave for another factory where perhaps he will get some work he is not getting wages for that day.

There is no IKEA codes displayed nor do the workers understand what a code of conduct is. The workers have no knowledge regarding code compliance and they confirmed there are no codes pasted on the walls of the factory. The buyers visit the factory but do not talk with the workers. The workers know who the buyer is e.g. IKEA.

The workers were all having working experiences of 8 to 10 years. Having worked in different factories they felt this factory was definitely not the best factory they had worked in. They had left earlier jobs because those factories were not able to generate enough work. They thought this factory would provide them work, even in the lean season.

The general comment made by the workers was that they are not considered as human beings by the management. There is no communication between the workers and the owners.

**India: Factory 3**

The researchers visited 2 production sites of one company. One of the production sites is a new factory which is expected to cater to over 4000 workers at one time. Its major buyers are Springs Inds (K-Mart) and IKEA.

**Methodology of interviewing workers**

The workers estimated approximately 200 women workers worked in the new factory now. The factory has a colony (residential place for the workers to live in) of approximately 950 rooms. The researchers interviewed first three workers who had just come out of the colony and then 12 workers who lived together in one room near the old production side. Also the place where the workers lived

**India**

was visited. The workers interviewed were from the tufting department, cutting and binding departments.

**Employment is freely chosen**

The company employs workers both on regular salary and on contract. Contract workers are also divided into two groups -- one who stay in the housing colony of the factory and those who stay in the city by themselves. Most of the workers who are staying in the colony are from the state of Bihar and Bengal (could also be immigrants from Bangladesh) and are captive workers. Truck loads of workers are brought from these states and made to work. In a number of cases cash advances are given to these workers when they are being recruited. This binds them to the contractors and they cannot leave. Cases have been cited where some workers did not want to continue working and they ran away. However, they were caught and beaten because advances were outstanding against their name.

**There is no discrimination in employment**

There is no discrimination against the workers being employed on the basis of religion, caste, or sex. However, the workers felt uneasy as migrant labour from the neighbouring states are taking over the jobs in the vicinity of their city.

**Child labour is not used**

The workers confirmed that no child labour was being used. The management takes an affidavit or school certificate to ensure they are not employing children.

**Freedom of association and the right to Collective Bargaining are respected.**

Unions are not encouraged at all. The workers cannot and do not form groups because they are afraid to become jobless. All workers interviewed confirmed management did not encourage any groups to be formed which could question the rights of the workers.

**Living wages are paid**

The monthly salaries a worker should earn under the law are:

Unskilled worker e.g. a sweeper	Rs. 2050 per month
Semiskilled worker e.g. a trainee	Rs. 2100 per month
Skilled – tufter, binder, checker, etc.	Rs. 2310 per month

The workers earn Rs. 80 per day for 12 hours work. The piece rate workers almost work 12 hours a day to earn enough to meet their daily needs. The workers said they earned approximately Rs. 1500 per month based on the amount of work they do. For the tufting job, the workers received Rs. 0.80 per 30 cm for a carpet sized 80 x 200 cm. Rs. 1.25 per 30 cm. for a carpet sized 140 x 200 cm and Rs. 1.50 per 30 cm for a carpet sized 180 x 250 cm.

The 1500 per month is clearly a violation of minimum wages act because the workers in normal working hours cannot earn the stipulated minimum wage as they all are on piece rate. No extra money is paid for overtime.

Women workers get only Rs. 40 per day for the eight hour job which is this less than average and therefore an obvious discrimination against women workers

No bonus payments or Provident Fund or Employee State Insurance (ESI), which provides them medical facilities, hospitalisation for worker and family, pension for wife in case of death of the worker. Payments are deducted from the salary or made by the supplier for the contract labour. The management indicated that the workers do not want Provident Fund deductions and leave for those factories where the deduction is not forced.

The workers have no paid holiday.

**India**

The workers said that they had not received payment for 3 months at a time. However, so far it has not happened that they do not get paid at all. The contractor sometimes gives partial advance and settles the account after three months. Three workers pool their money - they send two salaries home and one is kept for their lodging and food.

*The workers are living in a small room the rent of which they shared. Such sharing reduced the rental costs substantially but it is not human. They spend approx. 1000 Rs. on food and clothing. The balance they send home to their villages for parents, wife and children.*

**Hours of work are not excessive**

The workers get only half a day off on Sunday. They work from Monday to Sunday afternoon. According to the law a normal working week is 48 hours but the workers work up to 60 – 70 hours per week.

**Working conditions are decent**

\* There were not adequate water coolers near the sheds where the workers are working. There was 1 water cooler and the other sheds had water tanks. The workers felt the water was not clean.

\* The bathrooms are cleaned but by and large remain dirty. There are 10-15 toilets for men and a similar number for women.

\* The workers get no refreshments or food when they do overtime. There is a canteen but it has only 12 odd tables. A canteen is a mandatory requirement when you employ over 200 workers.

\* The workers confirmed there was a first aid box and a doctor who visits the factory every day.

Access is not easy.

\* It is not uncommon that workers while tufting fall backwards and hurt themselves. The fall can also be fatal.

*Two workers showed the researchers how they had hurt themselves while on the job – needle piercing the fingers. In one of these cases the workers had been working after 6:30 p.m. on that day. The doctor had left. No one could attend to the workers finger. The worker tied up some fabric on his finger and continued working. Next day he showed his finger to a local doctor and paid Rs. 100 himself for his injection/bandaging, etc. One of the worker mentioned that they just rub some machine oil on the wound and continue working.*

*One of the workers mentioned that during a dust storm, a metallic sheet meant to cover the roof flew and killed 1 worker and injured about 12. The management has tried to hush up this incident. This incident took place in the colony where the workers are given residence.*

\* The factory runs a free medical clinic for first aid purposes.

\* The factory runs a school for educating workers children.

**The employment relationship is established**

There are no formal letters of appointment issued or salary slips given to the workers. Hence, no employment relationship is established. Since no formal appointment relationship can be established, the workers are not entitled to any benefit of termination or dismissals, etc.

**Other issues**

Part of the workers said they had been made to sign blank papers.

*Some factories get workers to sign blank papers which they use against them at the time there is a problem with the worker with regard to employment or payment of wages. Cases are known where the owners have taken such documents and written out false resignation letter or a false loan paper.*

The workers mentioned another unusual incident –

*When the buyers visit the factory, the sheds where the workers are working are closed and the electricity turned off. The workers say the management does not want the workers to meet the buyers or for some reason the buyers to meet the workers. The workers are told to keep quiet and the buyers turn away thinking no other workers are working in that area. This has happened three times in the last one month. Also, when the buyers are present in the factory – the workers are turned away from the gate itself if they had not yet begun work.*

The workers who lived away from the ‘colony’ preferred to do so because the workers living in the colony can be called to work at any point in time and they could not refuse. These workers sometimes worked 16 hours or more.

***The researchers also saw a dyeing unit of the company and the appalling conditions in which the dyes were drained into the main sewers.***

According to the management, the product rates are slashed by the buyers every year. Social compliance costs a lot of money and only if they were assured of regular business they could then invest in such costs. The management also mentions that they think that IKEA was giving business to a lot of factories who did not comply with these core issues at all.

## **Annex 5**

**Annex 5 contains  
*Results Bulgaria***

Bulgaria

## **Annex 5: Bulgaria**

### **Bulgaria: Factory 1**

The factory is located in central Bulgaria, in the central region of Stara planina mountain/The Balkan mountain. This region is rich in beech and oak trees. The furniture industry here has a long tradition. At present there are several hundred small and middle size factories: in general the region has a high concentration of wood processing enterprises.

The factory started operating eight years ago and developed slowly. Last year the factory was restructured and currently the number of workers is not more than 35. The factory produces tables and chairs; the material used is beech, oak and pine tree.

The workers are aware they produce for IKEA.

### **Interview with the owners**

The factory is family owned, the same family owns another, textile producing factory that is also producing for IKEA. They export 46% of the production and all is for IKEA (pillows stuffed with polyester). The profits are low but constant. The production is guaranteed 12 months in advance by IKEA. The company producing furniture is exporting 100%. Eight years ago they got in contact with IKEA. IKEA was searching producers for small toys and kitchen appliances: boards for cutting bread for example. Now IKEA is their biggest client but they do have other clients as well. They produce larger furniture these days: for example garden tables from white pine. The wood is bought in Bulgaria (pine, beech, oak) and from the Ukraine (oak). The profit margin is said to be 15-17% for the furniture.

### **Pricing**

A Dutch client is buying big oak tables: the factory gets 300-350 Euros per table of which the retail price is 1.200 Euros. Pillows exported for IKEA: the retail price is 3 times more as the price the factory is getting.

### **Code of Conduct**

The manager/owner knows that there is an IKEA code of conduct for labour and environmental standards. But they only require him to submit certificates from state inspectorates and invoices from the waste disposal companies. Usually, the IKEA demands are lower than the Bulgarian law, sometimes higher. The people from the IKEA office in Sofia are not interested in these matters he says, only in the production. They never check on environmental and labour standards.

### **Methodology of interviewing workers**

The unemployment in the city where the factory is located is 8%, much lower than the average level of the unemployment in the country.

This socio-economic context made it much easier for the interviewers to find workers that agreed to answer questions; people are not as desperate and as scared as in other factories.

Interviewed were three workers from the factory, the co-owner of the factory and the head of the local sanatorium for lung diseases concentrated on the professional diseases in the region which has a concentration of wood processing industries.

### **Interview with sanatorium**

The professional illnesses according to the head of the sanatorium who is a specialist in pulmonary diseases: These can be observed for sure after some 20 years. Such professional diseases are: asthma, allergies, bronchitis, lung fibrosis and others. With regard to the asthma and allergies – nowadays the treatment is improved and people do not necessarily go to the hospitals to get cured. There are very good inhalators that could be bought from the pharmacies. That is why the medical servants can not say much about the current level of the pulmonary diseases among the wood processing workers.

Bulgaria

**WORKING CONDITIONS****Employment is Freely Chosen**

There is no evidence of forced labour or bonded or involuntary labour.

**There is no discrimination in Employment**

According to the manager women get less, because women do less heavy work. Some women are doing the varnishing, and are able to earn more than men in the same job.

The wage does not depend on gender, according to the workers, but on the category of work. There is virtually no chance for promotion, there is only one management position in the company. There are possibilities to get better wages but this depends on the manager who makes arbitrarily decisions. Previously there were Roma from the village in the factory, but three months ago some changes took place – they moved into new buildings and the Roma were fired.

**Child Labour is not used**

There is no indication of child labour

**Freedom of Association and the Right to Collective Bargaining are respected.**

There is no union in the factory. According to the manager: "I am the union". "People do not organise. I do not give the workers reasons to complain." The workers tell that people do protest about issues, especially when the wage payment gets late. But they cannot do anything. Nobody dares to start organizing the workers, as they are afraid of the management.

**Living wages are paid**

According to the Manager the average wage is 135 € and workers get transport allowance and Easter and Christmas holiday allowance paid as well. Further more there is a bonus for good work and overtime as well. The wage is paid according to the amount of pieces produced, and there are quotas used.

According to the workers the wages vary from 75-150 € with 125 € as an average wage. Officially the workers get only paid the minimum wage which is 55 € and also the health insurance is based on this wage.

For the annual holidays and leaves, there are some bonuses but this depends on what the owner thinks the company can pay.

Workers complain that they do not know how the wage is formed and they are not satisfied with the wage. One of the workers says that it is the average in the town and therefore she cannot complain.

Sometimes, the wage payment is a week late.

**Living wage?**

In all 3 households, another person works and the household income is approximately 250 €. The households consist of 3 people and they would need at least 300 € to live on. Some workers have subsistence agriculture to help them in the larger family.

Workers cannot save, cannot go on holidays, cannot have entertainment.

**Hours of work are not excessive**

There is overtime in the factory but not for IKEA orders. Overtime is not paid extra.

Overtime occurs during the week after the normal hours and on Saturdays when there are urgent orders and sometimes also on Sundays (on average once every 4 or 6 weeks). The overwork is about 4 to 8 hours per week.

Bulgaria

Overtime can be refused but only when the workers have a very good reason. Most of the time everyone will work the hours of overtime.

The workers get 20 days annual leave and can take it when they want.

**Working conditions are decent**

There are medicine boxes in the factory. The workers can visit a doctor at any time they want to. The doctor costs are 0,5 € for the visit and after this it depends on the treatment and the medicines. It is possible to take sick leave with permission of the director and it is paid.

It is hot in summer. There is ventilation which was not sufficient before but with moving to the new buildings this has changed. Particularly the risk of fire was reduced. The workers get instructions when they start working at the factory. There are fire drills.

It is dusty, as we are working with wood, but this has improved with the new buildings as well.

There are accidents, but only small ones, no major problems.

Those that are working with the lacquer get extra money as this is a hazardous substance.

One worker knows and tells that pine dust can cause cancer.

**The employment relationship is established**

The workers have contracts for the minimum wage.

**Other issues**

There are guards only during the nights.

The workers do not know what a Code of Conduct is.

Bulgaria

## **Bulgaria: Factory 2**

This factory is located in a large city, only 25 km away from factory 1 but the situation is completely different. The unemployment is double to what the unemployment is near factory with the social consequences of this. The company was formerly state-owned and bought by an investor from Sofia. This company owns three factories in Bulgaria. This factory does the manufacture of metallic parts and assembly of various parts of furniture as chairs and tables. They have 320 employees, 505 men and 50% women.

Since 1996 they produce for IKEA; the largest part of their production. They produce 12% for the internal market and the rest among others to a buyer in Germany. They export their production to France, Italy, Germany, Sweden, and England.

On the moment of the research they have more orders than they have capacity. In the last 3-4 years they have bought many machines. They aim to increase the capacity of the factory.

As a whole, workers are not contented from conditions, from salaries, from working time. The only positive thing (according to them) is that they are paid regularly.

Workers know that they make production for IKEA but they have never spoken with anybody from the quality control that frequently visit the factory neither did anybody mention a code of conduct to them.

### **Methodology of interviewing workers**

All the interviews were done outside the factory; in cafeterias, in the workers houses or houses of friends. Ten workers were interviewed; three workers were interviewed on their own and two groups of three workers each and one group of two workers. One manager was interviewed.

## **WORKING CONDITIONS**

### **The employment is freely chosen**

The company temporarily uses prisoners.

### **There is no discrimination in employment**

The workforce consists of 50% men and 50% women. The most dangerous work (varnishing, galvanic department) and most of the manual work is done by women. However, women tend to be paid less. There is no female supervisor.

One worker said that women "do not get pregnant here" and another reports that one woman was dismissed 4-5 months after child birth.

### **Child labour is not used**

There is no indication of child labour

### **Freedom of Association and the Right to Collective Bargaining**

The management representative claims that there are two large trade union confederations represented in the company and that the management coordinates all decisions with them. He also says that there is a Collective Bargaining Agreement.

Most of the workers know that these trade unions are in the factory but mention that they are not active; these are old structures and these trade unions still have their members on paper. The interviewed workers do not know how many members and do not know any members as well. There has not been any strike or other action during the past 5 years. One of the workers mentions that it would be good to have a "real" union but it is impossible "because this is a private company".

Bulgaria

### **Living wages are paid**

The only positive thing that is reported by workers on their wages is that they are paid regularly.

Promotion or wage increases do not occur.

The wages differ according to gender and status: different jobs as packing, welding and painting: (68 €for women and 78 - 90 €for men) and engineers (ca. 100-125 €). All say that their wage has been higher 1 year ago.

Those working in the varnishing dept. get 7,25 €per month extra for working with toxic substances. On bonuses 4 workers mention that there is christmas meal voucher of 25 €that can be used only in a specified food shop

Overtime is paid at a rate of 75% more, during public holidays 100 % more.

### **Living wage?**

All workers clearly say that the wage is insufficient and some state that it is even less than the average in the region. After telephone and electricity (heating water and heating the flat) what remains is usually spent on food, around 50% is for food. Workers cannot afford to go on holidays.

The household size is from one person up to four persons, three workers specify that their partners have paid employment as well. Except for one, there are no additional incomes for the workers.

For one person to life on about 150 €is needed, for a family of 3-4 the workers mention to need around 500 €

It is quite clear that all workers fail by far to reach this.

### **Hours of work are not excessive**

The factory operates 24 hours a day 7 days a week. Workers work in shifts around the clock, eight hours per day and have two days off in between. Only the women from the varnishing department are working just 7 hours per day. Those dealing with dangerous substances get also 5 extra annual leave days. Annual leave is difficult to take, because replacement - has to be organised by the workers themselves.

Overtime depends on the workers, there is a lot of work to be done and they can work as many hours as they want. Because of the money, nobody refuses overwork. It is also not well received if one refuses.

### **Working conditions are decent**

There is a doctor in the factory. If one feels sick she/he has to find a replacement. There was an incident with a worker, who got his eye injured but was not allowed to leave the workplace until the end of the shift. Only than he could go to the doctor. He got a permanent eye problem now. After some time, he was dismissed. Another worker got appendix problems during work, but had to stay at the machine till the end of the shift. He got a surgery right after that. In both cases the treatment was paid by the employer.

Normally, only a fee of 0,5 €has to be paid for a doctor. But all additional treatment has to be bribed.

There are no specific OHS provisions for those working with dangerous substances but they get extra yoghurt and water provided to them, an extra 5 days annual leave, 1 hour per day less work, 7,25 € more monthly wage.

Those workers were recently medically checked and told that nothing was found.

Workers mention that they are very tired after work.

Bulgaria

Workers complain that the factory is very hot in the summer. There are noise stoppers and protective masks provided for the workers. Wearing masks is not obligatory.

There is fire fighting equipment in the factory but no fire drills.

**The employment relation is established**

All of the workers have agreements with fixed dates-for a year, for 6 and 3 months. Sometimes they hire workers for a while (for month) and even people from prison.

**Other issues**

The factory premises can only be left with a permission signed by 5 supervisors. There is an order stating this displayed at the entrance. There is a security firm to ensure that and protect the factory from theft.

Bulgaria

### **Bulgaria: Factory 3**

The factory is situated in a town which is considered a regional center with officially 26% unemployment.

The factory works for IKEA and SIMBA (a German company). It started with producing wooden toys for SIMBA ten years ago. Around 1996/97 they started making products for IKEA: shelves, cupboards and other small furniture made from pine. One worker estimates IKEA's share in production at 40%. Workers are informed by the management about their clients and they also see it from the signs on the packages.

### **Subcontracting**

#### **Methodology of interviewing workers**

There are about 200 workers in the factory. Four workers were interviewed (2 present + 2 former workers) and a local trade union representative

*Workers answers vary a lot and very often remain unclear. There are significant differences and clear contradictions between what the former and the present workers say! Present workers most often say "I do not know." All this has to be explained with the extreme fear of loosing the job.*

### **WORKING CONDITIONS**

#### **Employment is freely Chosen**

There is no evidence of forced labour or bonded or involuntary labour.

#### **There is no discrimination in Employment**

Men tend to do the "heavy" work; they cut the wood and work on the machines. Women do varnishing, pasting, packing - work that is not considered heavy and they do not work with machines. The difference in payment is said to be between 10 and 20 DM by the women interviewed.

#### **Child Labour is not used**

There is no indication of child labour

#### **Freedom of Association and the Right to Collective Bargaining are respected.**

There are no trade unions and no CBA. This was confirmed by a regional trade union representative. Two workers said they do not need unions and one of the workers said that workers are too scared to loose their job. There was one **strike** in 1998. It was caused by overtime – "for two weeks we were working 12 hours per day and during the weekends. The owner fired three or four persons after the protest because it was illegal. He fired even his first assistant".

#### **Living wages are paid**

The wage is paid regularly. If workers take days off or sick leave they are only paid the legal minimum wage (56 €). The wage depends on the orders. Starting wage is 75 € and the average is about 125 €. The wage is higher than the average in the city. Workers are officially (insured and taxed) only paid the legal minimum wage in Bulgaria. The rest is paid "black". Workers do not seem to know how the wage is calculated.

Overtime is paid as their normal salary, not more. There are no clearly defined procedures for payment, for overtime payment and for promotion and wage increases. Those dealing with toxics get a daily yoghurt and about 10 € extra.

One of the workers states that the wage is not adequate to the work performed. One worker said that the wage is just enough for food and clothing, nothing more. The workers all estimate that one person needs at least 100 € to live on, for a family at least 200 to 250 €

Bulgaria

**Hours of work are not excessive**

Overtime often occurs, the workers mention between 4 and 10 hours per week.

The worker that is no longer working at the factory said that he could not take holidays for 3 years and hardly had a free weekend. It was only possible to take holidays when the management granted it. One worker stated that she does not take sick leave but takes annual leave days when she feels sick.

Another worker states that the annual leave is 20 days, which you cannot take when you want it, but instead is decided by the management. The holidays are arranged by the management in shifts so that the work force is kept steady.

**Working conditions are decent**

There is only a small box with bandage material. Workers can see the doctor if it is not too often according to the ex-worker. The Occupational Health and Safety (OHS) conditions have improved lately. But still it is noisy, dusty. Also work pressure is huge according to the ex-worker.

There are workers who work with toxic substances, the dryers for example who do not get any protection. The workers that work with toxic substances take yoghurt on a daily basis and also get about 10 €extra per month.

A new canteen is under construction, allegedly on instructions of IKEA.

**The employment relationship is established**

Not all workers had a labour contract. If they have, it only states the legal minimum wage as remuneration (that is insured and taxed).

**Other issues**

There are security guards. Workers need permission from supervisors to leave their workplaces and the factory.

Bulgaria

#### **Bulgaria: Factory 4**

The Factory is situated in a small village near a spa town in the Rodopi mountains, South Bulgaria. The Rodopi are the only source in Bulgaria for white pine wood - one of the major resources for IKEA furniture. The employees come from the villages in the surrounding area; only 10-15 come from the village itself. The gender composition of the labour force is almost 50/50. The factory produces only for IKEA, about 3-4 different products (among which bread boxes and chairs). They started in 1994 as a new private company.

#### **Methodology for interviewing workers**

The factory has about 300-400 workers. Practice in the factory according to 10 interviewed workers

The interviewed workers were selected by accessibility and not on the basis of certain criteria: 5 are women and 5 men; 4 are Moslems and 1 is Roma. Apparently, most workers are Moslems. Except for 2 Moslem women (28 and 32 years old) who are less than 1 year in the factory and do not have contracts, all other interviewed work for more than 4 years in the company.

The workers were interviewed away from the factories, in cafeterias or in the houses of the workers or friends.

### **WORKING CONDITIONS**

#### **Employment is freely Chosen**

There is no evidence of forced labour or bonded or involuntary labour.

#### **Discrimination**

Workers said that there is no discrimination. Moslem holidays are respected. Some supervisors are Moslem. All supervisors are men although 50% of the workers are woman. Differences in wages are due to differences in the work (manual or work with machines). There are no indications to sexual harassment and firing of pregnant women.

*Still women tend to do manual work rather than work with machines, thus tend to earn less. Moreover, 4 out of 5 women state a significantly lower monthly start wages (120-150 L) as compared to that of the 5 men (150-200L). The two recently employed Moslem women without contract have stated the by far lowest start wage (120 L= 60 €) out of all 10 interviewed.*

#### **Child Labour is not used**

No indication to child work.

#### **Freedom of Association and the Right to Collective Bargaining are respected.**

There are **no trade unions** in the factory (this information was confirmed by the area representation of the biggest confederation).

There are meetings with supervisors and management, but only for organizing the work, the workers have no channel for campaigning about or improving the working conditions.

#### **Living wages are paid**

Part of the workers are paid piece rate, the wage depends on the production and the order. The wages otherwise depend on the type of work (machines, hazardous work), but the differences are not large. Workers earn between 120 and 200 Leva (when they start working with the company) and get between 120L (60 €) and 150 L (75 € for those employed, without contract) and between 180 and 220 Leva (90-110 €) for the others.

## Bulgaria

During the annual leave (if taken) the full salary is paid. Those without a labour contract (4 out of 10 interviewed) do not get paid annual leave.

There is an illegal bonus for those that do not take their annual leave. Therefore some workers did not take their leaves for the last 3-5 years.

When workers have to use toxic substances (varnish e.g. - that is the case with 3 out of the 10 interviewed), they get 200 L (100€) and 6 days more paid leave per year.

The decision on wage increases is exclusively taken by supervisors and management without clear criteria. All workers that work for more than 4 years in the company say that the wage has almost not differed over the last year.

There were transport allowances 3-4 years ago for all the workers but now only for one of the shifts.

Wages are paid regularly.

Overtime is not paid extra, as the payment depends on the production.

Only the legal minimum wage is paid taxed and insured, the rest is paid "black".

**Living wage?**

The family/household size is 3-4 persons. Nine out of 10 interviewed workers say that other people in the family work at least occasionally and add a wage to the household income. The family income is between 110-175 €. Additionally, two workers mention that their family has subsistence agriculture and 3 of the interviewed workers mention doing multiple jobs (not counting the subsistence agriculture).

All workers say that the wage is enough to go on holidays, make savings or visit restaurants; it is only enough to pay for basic needs.

Half of the workers say that living costs for their family are between 150-250 € and the other half mentions 400-500 €. The amount that one person alone in their village would need to live on would be 75-125 €. That means that for most of the workers their wages are just enough to cover the basic needs for one person alone.

The average wage payment in the factory covers appr. 20% of the "social minimum" for a household as calculated by the National Statistical Institute.

**Hours of work are not excessive**

Overtime depends on the orders, but it is not regular. Working on Sundays occurs very sporadically, approximately once a year.

Some of the workers say that when you have very good reasons and do not do it regularly, it is possible to refuse overtime (6 indications). Others are not so sure about this and say that it is not possible to refuse overtime. One of the workers says that if you refuse overtime you will be the first one to be dismissed when there are dismissals.

Overtime is written down, but workers do not know how many hours they have done, and how much they are paid. Like was stated above the overtime is not paid extra.

**Working conditions are decent**

Once every year there is paid medical check up for all workers. This is paid by the employer. There is no permanent medical facilities (nurse or doctor or else) in the company. Nor has anything been indicated about a labour conditions committee. If workers feel sick, they can see the doctor or have a rest. The state medical services are free (the workers have to pay a legal fee of 0,5 € per visit), but for many of the services you pay extra or have to bribe the doctor, particularly dentists.

## Bulgaria

Workers are paid for sick leave and medical treatment. One worker tells that she received sick leave and was paid even though she does not have a labour contract.

Workplaces are well lit and hygienic, most workers complain about the dust. All workers complain about the hot temperature in the summer and the ventilation that is not good. In the winter the factory is cold. All workers get provided with protective caps and noise stoppers.

There are water taps but in summer sometimes they run dry.

There are no indications about health problems. Most workers report small accidents while two of the workers add to this that it is inevitable to have accidents when working with these kind of machines. There is fire equipment, a fire team and emergency exits. The workers report that 5-6 years ago there was a large fire in the factory and since then the factory is in a new building with all fire safety measures.

Workers who work with toxic substances get a little more money every month and work clothing.

There are occupational safety instructions at boards all over the company.

Workers do not know about possible environmental problems.

**The employment relationship is established**

Four of the interviewed workers do not have a labour contract. They were dismissed a year ago and than reinstated some 5 months ago without labour contract - just like some more workers.

**Other issues**

Since the beginning, the conditions have improved considerably over time according to one interviewed worker who was there from the beginning.

There are security guards to protect from theft. There are no limitations to resigning or taking days off. Some workers have to pay off debts for loans they took from the employer, without written agreement. It is seem as positive that they have the change to take small loans without having to go to the bank. These loans are mostly for health purposes (dentist above all).

Promotion is rarely possible; it is seen as very hard to become supervisor.

Nobody has ever heard about IKEA's code of conduct. Nobody from IKEA ever spoke with any worker about anything, despite regular visits from Sofia office and from Sweden to the company.

All workers are satisfied with the job because working times are regular, salaries are "high for the region" and the job is relatively secured they say.

**Annex 6 contains:  
Results Vietnam**

## Annex 6: Vietnam

### Vietnam

#### Research methodology

Three factories were researched. In the first factory the research group interviewed 20 workers, and three managers. In the second factory the research group interviewed 20 workers and one manager. In the third factory the research group interviewed 18 workers and one manager. Also a government representative from the Linh Trung Processing Zone was interviewed. In factory one and two the workers were interviewed at the working places, when they were working or at lunch time. In some of the cases the workers were interviewed after working time. In the third factory only 18 workers were interviewed as it was more difficult to find these workers and were forbidden to be interviewed. Those workers were interviewed at their guesthouses (they were living at different guesthouses), after working time and on Sunday. None of the workers was interviewed in the presence of the management.

#### Vietnam: factory 1

In an interview with the management of the factory the following information was revealed: the enterprise was established in 1981, operating in Hochiminh city (Southern Vietnam), firstly as a state-run enterprise and then from 200 on as a joint venture. For a long time the factory was producing footwear, garments and handbags for export to Eastern and Western Europe and America.

Since 1998 the factory has been producing for IKEA as the factory shifted towards a more active business with a closed production process, invested in model designing, got cheaper materials. The factory obtained the ISO 9002 certificate. Now 70% of the products are sold to IKEA, to the Western European market.

The factory can be classified as a large company in terms of employees and fund potential.

Up to now, as reported, contracts with IKEA are regularly sustained. There are around 1-2 months of production decrease per year.

The number of employees includes 40 indirect employees (management, technique and administration personnel), and more than 1,600 direct workers, most of the workers are between 18 - 40 years old, of which 80% female and 20% male. Most of the migrated workers (from other provinces) are single. Though different production processes demand different criteria, generally, selection requirements are not high; primary education or higher and elementary industrial sewing skills. The workers will be trained further.

### WORKING CONDITIONS

#### Employment is freely chosen

There is no evidence of forced labour or bonded or involuntary labour.

#### There is no discrimination in employment

Workers were publicly informed and directly recruited, with recruitment based on ability, and voluntary enrolment with clear curriculum vitae with local authorities' legalization, without discrimination on the basis of sex in the selection procedure. The special features of the garment branch makes that woman workers are recruited more and correspondingly the ratio of women in managing and supervision position is higher. The factory director is a woman. The criteria for management positions are mainly based on skills, experience, expertise and seniority. The supervisors are usually male. The interviewed workers do not know what exactly are criteria to be appointed to group supervisor.

**Child labour is not used**

Presently, the factory does not employ minors under the age of 18. As reported by the factory's representative, a few years before entering the contract with IKEA it recruited around twelve workers aged 16-17. This is not in violation of the Vietnam Labour Law (1995) where working age starts at age 15, when workers have passed compulsory primary education – 14 years old. However, upon contract agreement with IKEA, in compliance with the latter social standards, only over 18-age workers are recruited. The factory's management states that they are aware that at such age workers shall be more mature in term of experience, knowledge, sense of discipline etc.

**Freedom of association and Right to Collective Bargaining are respected**

There exist a trade union in the factory and 70% of the workers are members. The trade union in the factory is a member of the branch union. Admission of new members is organized every 6 months.

Some trade-union activities are attached closely to worker's rights including making known, propaganda and awareness raising on worker rights and obligations (through trade union representatives, sub-group meetings, loudspeaker system in workshop and other forms like seminars or talks for woman workers on family planning and, reproductive health), organization of summer holidays, having a fund for urgent financial needs.

**Living wages are paid<sup>1</sup>**

The factory pays the full salary in time to the workers. The salary depends on the production; processes and production lines are paid on piece rate. Workers are paid twice a month. The average salary for a worker varies between VND 500,000 and VND 900,000 per month subjected to quantities, overwork when the order time is too short. The minimum salary is VND 450,000 per month and the highest salary varies between VND 1.500.000 - VND 1.700.000. Only a few workers in high-technique processes are enjoying these high salaries and most of the workers work in manual, low skill jobs while earning VND 450.000 - 600.000 per month.

**Living wage:** these salaries are according to the minimum wage standards as written in the Labour law. However, according to the researchers this income is quite low when looking at the general expenses, particularly in the urban area. The interviewed workers said that the salary is relatively low, barely enough to cover daily essential needs. For married workers with dependents there is not much money to spend. For them entertainment or leisure does not exist. They may not save even one cent their whole life.

Estimated expenditures include:

Daily meal: VND 250,000 - VND 300,000 per month.

House - lease, personal and essential needs and transport means: VND 100,000 - VND 130,000.

There is little to no discretionary income to cover any additional expenditure apart from daily essential needs.

Those workers that earn more than the average VND 450,000 to VND 600,000 are saving around VND 200.000 per month for necessities or transferred to aid their families.

**Payment for overtime work:** Where there are too many orders, overwork is required. Overtime salary is paid according to the amount of products made, which is on average VND 16,000 per day (for 3 overtime hours). However, this rarely occurs.

---

<sup>1</sup> 10,000 VND is US \$ 0.65

**Bonus system:** There is a monthly incentive bonus system for workers, through A, B, C class qualification, with an additional 15% salary for class A, 7.5% for class B and 3.6% for class C. The monthly bonus will be accumulated to be paid once in National New year (Tet) holiday.

**Other income:** On the occasion of International Labour Day, National Independence Day and Tet holiday, workers receive around VND 100,000 - 200,000 per occasion. Workers do not take on other jobs, and the factory does not have the workers make extra pieces at home. Therefore, apart from the factories salary, the interviewed workers don't have any other income.

### **Hours of work are not excessive**

Workers work 8 hours per day, from 7 a.m to 11 a.m and 12.00 to 5 p.m. with 2 x 15 minutes/pause at 9 a.m and 3 p.m and 1 hour for lunch. The overwork is lower than that of the other garment companies. There is around 120 overtime hours per year; overtime shall not be worked on more than 3 days per week, (with 1- day intervals) and 3 hours per day. 3 additional hours per day will be paid at VND 16,000. When there is no work to be done the workers will earn VND 15,000 per day as allowance.

Some of the workers interviewed expressed they had no problems with doing the overwork as it is necessary sometimes to finish the order and it is a possibility to increase the salary. As there are about 2 months in the year with not much work, overtime work at other periods can compensate the loss of salary. Others don't want to do overtime as they feel tired and when it would be optional they would not work. Especially women workers with breast-feeding children or married women who have a lot of work at home.

Workers who do not want to work overtime can apply for this, if they have correct reasons such as health problems, family work etc. and they are not forced to do the overwork. There is however a backlash when workers often ask to be excused on the bonus qualification (made monthly, quarterly and annually). Not working overtime does not influence the annual salary level raising.

Workers work 6 days per week, with one day rest on Sunday. Rest days are not paid. Beside public holidays as regulated by State (8 days per year), workers have the right to 12 days per year annual leave (for workers with a contract). The company strictly implements this stipulation and workers have no problems applying for leave.

### **Working conditions are decent**

The companies' health office employs an assistant doctor and a nurse and has a medicine desk with normal emergency pharmaceuticals, a refrigerator and 2 sick beds. Each production workshop is equipped with a first-aid box. In the breaks the workers can go for a consult and get free-of-charge medicines for the patients. Serious cases are transferred to the hospital. There is also a periodic health examination for workers (professional, gynaecologic and other diseases). Contractual workers that go on sick leave with a physician's prescription shall enjoy a salary as provided by the social insurance system.

In some cases the company tries to get out of the responsibility of paying for accidents as according to the company negligent workers if injured will not enjoy the aforesaid because the company considers that they did not comply with internal regulations and use instructions well.

**Social insurance:** The company pays social insurance, health insurance and accident insurance for workers (VND 54,000 per year) as specified in the Labour law.

**Maternity leave:** women workers get an antenatal examination, a 4-months leave for delivery with a social insurance salary (for contractual workers) and if desired may take another month leave,

non-paid (only for sewers). The trade-union will pay diapers costs. Women worker with children under 12 months old may leave one hour earlier, and do not have to do overwork. Also women workers may take leave for a maximum of 5 days in case their children get ill, with a physician certificate and enjoy a social insurance salary for these days.

**Labour safety:** Compared with other garment companies, workers here work in relatively good conditions, having a space of 2m<sup>2</sup> per person and sufficient lighting and a comfortable worktable. A few workers mention that their workplace is too hot, especially in the dry season (March, April and May), that the noise is too loud and that they work in a dusty environment. Some of the workers mention that their workplaces are ventilated as they work high in the building, and less dusty; the working place only gets too hot when the outdoors temperature gets too high

**Labour protection:** Workers are annually supplied with tissue and the money to make uniforms. The standard includes 3 shirts and a pair of trousers per year. All are equipped with a protective mask for the mouth. Porters receive pullovers. Storage workers get hand gloves. There is no toxic preventive system for garment workers; however workers in heavy-duty work in high temperature and/or loud noise shall gain an extra VND 50,000 per month.

**Occupational diseases:** commonly include dizziness due to long sitting and headaches due to long focusing on sewing and other diseases as eye problems, pain in shoulders and waist etc. Accidents often occur with workers that begin to work. Now, accidents rarely occur, mainly light injuries (fingers that get pierced for example).

**Fire protections:** the company invested in the last 5 years up to VND 700-800 millions in fire protection activities such as a fire-brigade, weekly training, acquisition of helmets, fire uniforms and tools. All operating workshops are equipped with extinguishers, warning boards and emergency exits. Fire protection regulations are posted in the workshops and from time to time repeated on a loudspeaker system

There is a clean canteen for lunch for the workers. The company encourages workers to have lunch there to ensure security and hygiene. Drinking water also is sufficient. There are separate men and lady bathrooms and toilets with 35 persons per toilet ratio. Workers may go to toilet when needed, however in practice, for fear of congestion of the production line, the workers often go in the breaks and queuing often occurs.

Workers say that, in general, in the last 4 years, working conditions have been significantly improvement: the toilets, workshops, operating rooms got more windows, ceiling fans; the workers enjoyed more, got more space to work; clean drinking water etc. The safety was secured through permanent company and supervisor's inspection. The company was one among the factories that got awarded the City certificate of merit in respect of health care and fire protection. Workers in some of the production lines, complain about dust, heat and narrow working space. For example in some places there are no ceiling fans.

### **Other matters**

**Sanctions:** sanctions are applied depending on the offence. For example late presence at work without reasonable cause shall lead to forced leave in this day; a second offence leads to a bad annual qualification and a third offence shall result in the bonus cut. Stealing products shall lead to dismissal. Workers are only authorized to enter and leave the factory on specific times, the start of the working time and during lunch time.

**Supervision:** Some of the workers feel that there are some supervisors that although very harsh in conduct still listen to the workers and know how to protect workers rights and interests or stimulate them in hard times. For other workers though the supervisors only pay attention to labour performance, not to workers needs.

**IKEA code:** Workers only know their rights under the labour contract and the company's internal regulations. The IKEA code of conduct is unknown. The code of conduct cannot be found on the walls of the factory.

**Labour and health inspection:** There are some inter-branch inspection delegations (local labour and health agencies of different levels) visiting the company. Workers say they saw many foreign experts visiting and interviewing (through interpreters).

## **Vietnam: factory 2**

This is a private enterprise established in 1983 in the Binhduong province (Southern Vietnam). The factory is specialized in ceramics production. 90% of the production is exported, mainly to Western Europe and the US.

Since 1996 the factory secured a contract with IKEA, production mainly for the Western European retail market. The total export value is around US \$ 4 million (year 2000), and expected to rise over US \$ 4 million in 2002. The factory employs around 400 - 450 workers, of which 20 employees are management, technique, office workers. 60% of the workers are women. Most workers are age 20-30, single and mainly migrated from other provinces.

The production line includes many processes (mechanized, semi-mechanized and manual). The materials used are mainly from Vietnam with some foreign-imported materials.

## **WORKING CONDITIONS**

### **Employment is freely chosen**

There is no evidence of forced labour or bonded or involuntary labour.

### **There is no discrimination in employment**

There is no evidence of discrimination of sex, race and social class.

### **Child labour is not used**

Recruited workers shall be at least 18 year old (certified by identity card), correct curriculum vitae certified by local authorities.

### **Freedom of association and the right to collective bargaining**

A trade union exists in the factory, has been in the factory for 10 years and participates in the local trade union system. All workers are allowed to join the trade union. However, the trade union seems to have no clear activities in the factory (besides visit in case of illness, allowance for delivery for women workers, etc.) There is no sufficient and sound voice on the part of the trade union in case of a dispute between workers and employer.

### **Living wages are paid**

The salary is paid on piece-rate per day of work, twice a month, without deferred payment. On average a worker is paid VND 17,000 per day; those in heavy-duty or toxic environment or requiring high skills such as molding, design/decoration get about VND 20,000 per day. For a six day working week this would amount to approximately VND 400,000 to 480,000 per month. Workers working in the company for a long time get VND 1,000 – 2,000 per day increase per year.

**Living wage:** The salary is higher than the minimum wage, but proves to be low according to the researchers when looking at the labour intensive, hard work. Workers say that without overtime it is very difficult to get by. Workers that come from other provinces shall put aside part of the salary and transfer the saved money to their family in their hometown.

**Overtime salary:** workers in this enterprise permanently work overtime. Every 6 hours of overtime is calculated as a day work. On average, each worker has 90-100 overtime hours with an additional VND 300,000 per month.

**Bonus:** There is no monthly bonus system. Once per year at Tet holiday the workers get a 1-month salary plus a VND 20,000-30,000 valued gift bag.

There is no other income.

### **Hours of work are not excessive**

The factory requires 8 hours per day normal working hours: beginning at 7 a.m to 11 a.m in the morning and 12 a.m to 4.30 p.m in the afternoon. Though there would be more income, the interviewed workers are not too happy with the overtime hours as they feel very tired and want less overtime, and only 6 out of 7 working days per week. Some workers think that the extra salary is not adequate for such hard work, 7 days a week. The hours of overtime and the 7 days a week working pace is in violation of the Vietnamese law.

Working hours depend on the orders and most workers make 3-4 extra hours per day, 90 - 100 hours per month. Dependent on the orders workers are even required to work through lunchtime. Especially September-November is the peak period. The workers will get a 15-day leave in January and paid work days if some leave days coincide with holidays. Workers may apply for over-time exemption. A long leave is not allowed (except with a physician's prescription). Not doing overwork without giving a reasonable cause shall be fined VND 10,000. Because of this not many workers will refuse to do overtime. For those workers that are daily paid, they will get every 6 overtime hours paid as one day pay extra (8h.30 min ), with an average payment of VND 18,000 per day. For piece-work salary paid, each overtime hour is valued at VND 3,000.

Most workers interviewed think that 3 extra hours per day go beyond their strength as commonly they have to work 7 days per week. Only workers from some production parts have 1 or 2 Sundays of per month. Some other workers think that such overtime is normal, while other like to work the extra hours for the extra money.

The factory does not specify holidays or leave days for the workers. They may take 2-3 non-paid days. They get 15 days leave on Tet holiday (Vietnamese New Year Festival)

### **Working conditions are decent**

**Health service:** there is no health unit, periodic health examination, only some first aid boxes. The provincial Red Cross has trained workers on first aid. When workers are ill they may go for a diagnosis and care in health units or the city and provincial clinics.

**Social insurance system:** there are different insurance policies for the different forms of labour contract. Long-term contractual workers will enjoy public regulated social insurance and health insurance. Only 100 workers are socially insured and 200 ones are health insured. Workers that work 2-year or longer may be partly insured in terms of medicines and free clinic access. For short-term contracts and new workers, they shall pay all expenses in case of illness themselves and also leave for consultation is not paid. There are however allowances from the Board of Directors for ill workers from VND 50,000 to VND 200,000, when needed.

**Maternity leave:** long-term contracted workers may leave for antenatal examination and have the regulated leave. They may not do overwork and will get VND 200,000 as a maternity leave allowance but will be non-paid for optional leave after delivery.

**Working environment:** in general, each worker has 6-7 m<sup>2</sup> as working space with sufficient lighting. Except in the model design sector, there are problems with heat and dust everywhere, particularly in the fulminating and burning sectors where there are no ceiling fans allowed. In the months March and April the heat is extreme according to the workers. Workers have no protective masks and most workers interviewed mention that if they would be equipped with this, they might not wear it as the workshop temperature is too high to work with such protective masks. There are no uniforms for the workers.

In a hot and dusty environment, workers frequently get problems with coughing, colds, and headaches. Works buy medicines for this, no information on long lasting impacts from occupational diseases. In case of an accident, after first aid, injured workers will be hospitalized which expenses are borne by the company.

**Fire protection:** all regulations on fire protection are respected: extinguishers in each workshop, emergency charts, exit doors. Fire regulations were given to the workers a few times and workers are trained.

**Food and water:** clean water is available. There is no canteen or cooking for the workers. Workers bring along their own lunch or have lunch elsewhere, outside of the work-site.

**Sanitation:** there are sufficient toilets, which are not very hygienic. Use of toilet is free and there is no queuing. There are no bathrooms.

Workers mostly complain about the heat and wish improvements in this respect, more ceiling fans for example.

In recent years, the factory has made a lot of efforts to improve labour conditions: for example more and sufficient drinking water, gloves, the building of a sanitary area, wiping the floor for reducing the dust, etc. Equipment and machines have protective housings with warning lights and also in the water filtering system there are improvements. The factory management felt somewhat reluctant at first to invest in these matters, but they concluded that without necessary investment it would be hard to receive big orders, particularly from IKEA. Subsequently, they saw the profitability as the production grew and new customers came. There are still improvements to make however, such as improvements in the ventilation and against the dust. In 2003, it is anticipated that uniforms for the workers, floor tapestry, floor wiping and lady bath-rooms will be supplied.

### **Other issues**

The business operates in the form of an intensive and closed production line without sub-contracting.

Some of the workers tell that the supervisors sometimes shout, even insult them.

**IKEA code of conduct:** the workers only know of the factory's regulations on the hanging board (labour discipline, working times, fire protection etc.) and are not actually informed on rights as specified by IKEA. In general, workers recognize improvements in working environment (for example, changes in working position, emergency exits, workshop hygiene), see presence of foreign experts (with interpreters) mainly visiting and controlling products, machinery etc.

**Vietnam: factory 3**

The company was established in 1996, and is producing clothes, hats and toys, which are exported to the US and Western Europe. This company is established with 100% foreign funding, operating in an export industrial processing zone in Southern Vietnam. Since 1997, most of their production are export articles, mostly stuffed toys supplied to IKEA. They have in the sale units the ISO 9001 standards certificate and a first IKEA certificate in Vietnam (2000).

The factory employs over 1,600 workers, 10 foreign managing experts, and an office staff of 35 employees. In the peak season there are more workers in the factory which are on daily contracts. Most workers are women, 95%, mostly young girls between 18 and 30 years old, unmarried which migrated from other provinces and of secondary school 6<sup>th</sup> class and over education level.

Generally, the company has regular contracts with IKEA with orders for 8-9 months per year, for an amount of US \$ 15 000 000 FOB in 2001.

**WORKING CONDITIONS****Employment is freely chosen**

There is no evidence of forced labour or bonded or involuntary labour.

**There is no discrimination in employment**

Recruitment criteria are officially announced, including age, ability, education and skill level and experience. Enrolment documents include certified curriculum vitae, household book copy, identity card etc. in compliance with provisions specified in the Labour Code.

There is no discrimination in selection of the workers according to the researchers but most of the higher management positions such as workshop manager and supervisor of the department are male.

**Child labour is not used**

The factory does not hire workers under 18 years old. Enrolment documents include certified curriculum vitae, household book copy, identity card etc. in compliance with provisions specified in the Labour Code.

**Freedom of association and the right to Collective Bargaining are respected.**

The trade union in the factory organizes some activities, established an assistance fund, and suggests the way workers needs and aspirations should be handled. There are mainly problems over meals during the working hours or during the overtime. It seems that the trade union has no real activities and are unable to settle some matters concerning working conditions, accommodation, entertainment etc and the awareness with the workers on the role of the trade union remains incomplete.

**Living wages are paid**

The basic minimum salary is VND 625,000 per month excluding overtime. The payment of the salary is always in time.

The training wage is 80% of the basic salary.

There are 2 salary systems, a monthly salary (for office staff and employees not involved in direct production) and piece-work salary (for workers on the production line).

**Salary raising system:** The employees that do not work directly on the production will be considered for a salary rise once a year while workers shall pass an exam. Raised salary is subject to workers rank and A, B, C qualification. However on average it is VND 20,000 – 25,000 per year. Workers also enjoy a 13<sup>th</sup> month salary. There is no seniority system as the contract is signed for 1 year only. Workers shall pass 2 months of training stage before they are formally admitted the training salary of VND 350,000. From the 3<sup>rd</sup> month, they will be paid VND 450,000 and VND 636,000 from the 6<sup>th</sup> month and so on. After 1 year, the salary will be VND 659,000 per month, and VND 20,000-30,000 will be added per month every following year.

**Living wage:** the average salary of the workers in this factory is VND 600,000-800,000 per month. This wage is according to the researchers not reasonable as it is not taking into account the price fall factor and it is lower than the wages of some other factories in the same area. Some of the workers report that the wage only covers daily accommodation and food expenses and there will be no possibility for savings. As most of the workers have migrated from other regions, the rent of houses, food and other expenses take most of their income. Young workers virtually cannot save any money. Generally, the interviewed workers think that the workplace is too high, the labour discipline is too rigorous and the salary too low.

**Payment for overtime and extra-time:** the workers permanently work on average 4 hours per day extra, with overtime paid at VND 4,500 per hour. A night meal valued VND 3,500 shall be added when workers work 3 overtime hours in a shift.

**Bonus:** there is only a 13<sup>th</sup> month salary for workers that work 1 year, of which 20% is paid on 30<sup>th</sup> April and 1<sup>st</sup> May holidays, 20% on 2<sup>nd</sup> September Independence Day and 20% on New Year holiday and the remaining to be paid on Tet holiday.

**Other incomes:** none

#### **Hours of work are not excessive**

The company determines that workers work daily 1 shift, from 7.30 a.m. to 11.30 a.m., then from 12.30 a.m. to 4.30 p.m., 6 days per week. They have a small break of 10 minutes in the morning and in the afternoon and a 60 minutes rest at noon for lunch. Every day the workers continue to work 3-4 hours extra and leave at 8p.m. or 9 p.m. Workers will work up till 60- 80 extra hours per month in 6 days a week, with rest on Sundays. The factory management says that they know very well that, as specified by the State, overtime shall not exceed 200 hours per year. However, they say that because of the seasoning nature of this branch, the number of overtime hours reaches 600 per year (but not exceeds 4 hours/ day). Under this working system, the workers say they feel tired and uncomfortable both physically and mentally. However, according to the workers the overtime is compulsory, and can only be refused with very good reasons; in case of illness and only with a clinic certificate, or when they had an accident, or when one of their relatives died. When they apply for leave their application will pass through many levels from workshop manager, to management commission then to the Board of Directors. Therefore, workers rarely apply for leave. Leave without permission leads to a warning and to dismissal after 3 times.

There are cases where a woman worker returns to work only 2 month after delivery and ceases her leave (4-month as regulated) as she needs more money for her living and is afraid she will not get suitable work after a long leave. The workers can get leave on public holidays. Parents' death, and marriage celebration also are occasions for leave (3 days not paid for each case, but they cannot take leave exceeding 10 days per year)

#### **Working conditions are decent**

There is a health office in the factory. Ill workers may consult the health office and can only have the medical examination at a hospital with a health officer letter of reference. They may leave and have medicines supplied. The interviewed workers say that it is very difficult to pass an examination and permission to leave for being ill would be even more difficult. Therefore, only

seriously ill workers dare to go to the health office. The business only pays social insurance for workers (15% by the business and 5 % by individual worker) that work for over one year at the factory. There is no health insurance here and hospitalized workers have to pay all expenses. Only the socially insured workers will get a salary according to the insurance system.

Pregnant workers are getting maternity leave benefit system: pregnant check ups, 4- month leave prior to and after delivery. Only the contracted workers may enjoy social insurance. Women workers in a heavy duty work sector may leave 1-month extra without salary. However, although the workers are entitled to a periodic antenatal examination, women workers are reluctant to take the examination as they are afraid they will be punished when they will miss more than the time allocated for the examination. Often they will go to a private clinic after working hours.

**Working environment:** each worker works in a 2m<sup>2</sup> space with sufficient lighting but in a very hot, dusty and noisy atmosphere. Dust is generated from materials (kapok, cotton). The noise of the machines is very loud, mostly in the cutting and in the stamping sector. There are ceiling fans but because of the tin roof without heat insulation, the indoors temperature gets very high.

**Labour safety:** as the factory is sited in an industrial processing zone, fire protection equipment are sufficiently installed. Workers are equipped with protection devices such as uniforms, hats and mouth masks. Gloves are unavailable in the cutting sector.

There is a first-aid team and a fire brigade; extinguishers, emergency exits and alarm boards are available in workshops. There are some light accidents such as hand injuries due to needles. Injured workers will get first aid at health offices and be permitted to leave or have medicines supplied. The company has bought annual accident insurance policies for workers at VND 28,000 per year, standard (only for contracted workers).

Workers working in a permanently hot and dusty surrounding frequently acquire lung disease, bronchitis and feel irritated. Workers in a toxic sector gain VND 50,000 per month for health improvement. Daily drinking water is sufficient. There is a canteen for lunch (payable) and evening sub meal. However, workers claim that there is no change in menu and meal quality is moderate. There are toilets but they are not adequate at peak hours. As workers cannot go out in working hours, they have to queue in the breaks.

The women workers that have their period feel very uncomfortable as there are no bathrooms.

It seems that there is a need of solutions against heat, dust and particularly, there would be more adequate provisions of leave in case of illness and medical examination and care.

### **The employment relationship is established**

The company has 2 types of labour contracts: 1-year contracts and in the peak season daily paid workers. Under the law, such contract entering is unsuitable for continuous work in a number of years, limiting some extra benefits such as seniority allowance. Also, there are cases of delay in contract renewal while workers continue their work.

### **Other issues**

Generally, workers are not comfortable with the supervisors. Some say that they are too rigid and severe towards workers. In general, they feel afraid of them, even more timid than towards the company's director.

**IKEA code of conduct:** the workers only know how to implement labour contract provisions and do not know of the IKEA code of conduct. They saw sometimes foreign delegations visiting (with interpreters accompanying) around the workshops, inspecting product quality, however never question directly workers. Also, there are some local inspection delegations (health, labour department) undertaking annual control.

