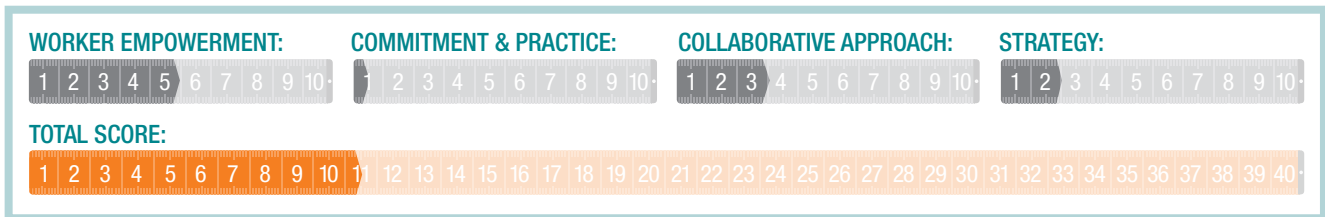


ADIDAS GROUP

Brands: Adidas, Reebok, TaylorMade, Rockport



COMPANY POSITION ON THE LIVING WAGE:

“The Adidas Group has examined the question of fair wages and has concluded that the best way to improve the general welfare of workers is to work with our business partners at the enterprise level to promote wage-setting mechanisms which are transparent and have been developed with the direct input of workers...”

“Although we value the work that has been done by the labour NGOs to develop the Asian Floor Wage, and acknowledge that it is a useful reference wage, with broad support from civil society and international trade unions, we do not require our suppliers to follow a proscribed living wage methodology when considering the cost of living for workers. We are continuing to explore this subject through our engagement with the Fair Wage Network.”

WHAT WE SAY:

Adidas is engaging in work to assess its wage practices across Asia, but as a company it is still not willing to define what a living wage means in its business. By failing to do this, and passing on responsibility for wages in supplier factories to factory owners, the significant change needed for workers will never happen. Adidas must engage in identifying a living-wage figure and changing pricing in order to enable its payment.

IN MORE DETAIL:

Has living-wage benchmarks?

No.

Worker empowerment:

Adidas says: “We encourage our suppliers to maintain a climate of non-interference with trade union activities and to implement effective systems of worker-management communication.”

Trainings for workers and factory management to address freedom of association practices were cited, covering 15% of suppliers. Some experiments with issuing the ‘right to organise’ guarantee were also listed.

Adidas has a worker hotline complaints mechanism, advertised by posters in all approved supplier factories. Hotlines are managed independently by NGOs and complaints followed up by Adidas Asia staff. If the complaint is disputed, workers/unions are encouraged to file complaints with the Fair Labor Association. Adidas is in the process of rolling out an SMS-based complaint service also. Service use is monitored by “Independent third parties”.

Commitment and practices:

Adidas has a “strategic supplier” list through which it places 85% of orders and “do[es] not encourage subcontracting”.

Adidas says: “We conducted in-depth wage studies in selected countries in the past and we have Fair Wage Assessments underway in five different low wage countries globally.”

Adidas currently uses the legal minimum wage or prevailing industry wage as a benchmark to check if its factories are paying a fair wage.

Collaborative approach:

Adidas has worked collaboratively with unions and NGOs in Indonesia to develop and sign a protocol on freedom of association with factory managers and unions, which allows for certain very practical rights to be delivered to workers in its supplier factories.

Strategy:

Adidas says that its work on Fair Wage assessments “will help individual suppliers – and the Adidas Group – to identify management practices required in each of the Fair Wage dimensions. These will be progressively rolled out over the next five years.” This work “includes consideration

of living wage benchmarks.” No evidence was given of what these benchmarks are, or when and how these will be implemented so that real wages can go up.

Production overview:

Number of suppliers: 977 first-tier suppliers, 132 subcontracted suppliers.

Main production countries listed as: China, Vietnam, Japan, Indonesia, Brazil, Other.

Adidas publishes a full public list of the names and addresses of its supplier factories.

COMMENTS:

It is disappointing that a company as large as Adidas has yet to commit to a living-wage strategy, and continues to monitor across its suppliers only that factories pay a minimum wage. Although Adidas says it is “examining the question of fair wages” through membership of the Fair Wage Network, this does not commit it to real action to increase wages on the ground in supplier factories. Gathering data and learning more about the problem is not what is needed now.

Adidas does seem to have robust systems in place, as a company, to deal with its supply-chain responsibility, and its work in Indonesia with unions to sign a freedom of association protocol is admirable. We’d like to see more of this commitment channelled to address poverty pay.

Adidas must use its significant buying power and influence to encourage change among its suppliers by choosing to work with suppliers who pay better wages, and also by addressing its own internal costings to ensure a living wage is set aside for all workers who make its products. For us, it is vital that companies adopt clear benchmarks so that wages meeting workers’ basic needs can be measured, and these aims built into product costings.

Unfortunately, Adidas’s management seem to be heading in the opposite direction: Adidas CEO Herbert Hainer said in a recent article that because the minimum wage had increased so significantly in China, the company plans to grow production elsewhere.¹ This kind of international corporate bullying sends signals to Asian governments that if wages go up; buyers will flee, and drives the race to the bottom on wages in the industry. Adidas needs a change of tack if its commitment to ‘fair wage’ practice is going to become more than CSR rhetoric.