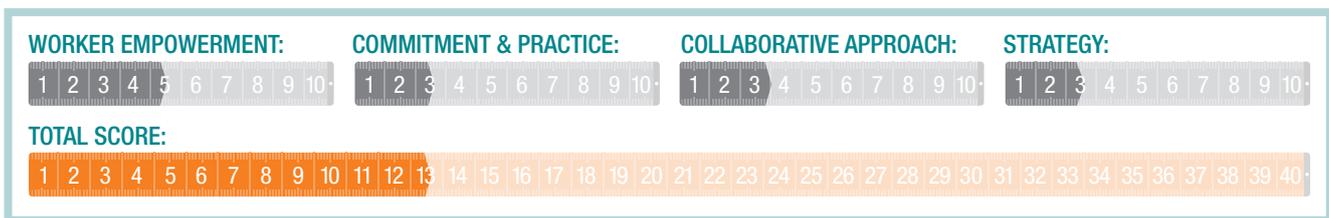


PUMA

Brands: Puma, Cobra Golf, Tretorn



COMPANY POSITION ON THE LIVING WAGE:

“Improving wages for factory workers in PUMA’s supply chain remains a core issue in ensuring sustainable workplace improvement ... PUMA does not subscribe to any given definition of a living wage given the varying definitions and formulations that have been provided over several decades.”

WHAT WE SAY:

Puma is engaging in work on a number of topics. It has adopted a credible living-wage benchmark (the Asia Floor Wage) as part of its wage ladder approach. There is still some way to go, though, on strategy for how to deliver this to its suppliers – productivity won’t cut it.

IN MORE DETAIL:

Has living-wage benchmarks?

Yes.

Worker empowerment:

Puma says: “PUMA is a signatory to the FOA (Freedom of Association) Protocol in Indonesia. This requires signatory brands to support the adoption of agreed FOA practices by suppliers to ensure that factory workers are free to form unions and organize.”

Puma displays posters on FOA in its supplier factories; a pocket guide is provided for workers, distributed by sourcing offices and licensees; a briefing is given to new workers, which covers FOA; and annual training is advised. Puma also has a complaints mechanism.

Some trainings for suppliers and workers including information on FOA were detailed. This was delivered in collaboration with various union and corporate partners. Training in labour law and national wage-setting mechanisms was given in Indonesia for union leaders.

Commitment and practices:

Puma is using a wage ladder methodology to monitor progress towards payment of a living wage, which includes the Asia Floor Wage benchmark. This was based on a project, called the Jo-In project, which finished some years ago. No work on pricing was mentioned.

Puma has a supplier rating system that takes social compliance into account and affects its purchasing decisions. This system is currently being updated, says Puma: "...we are incorporating incentives for those who show consistent wage practices that are above the minimum wage."

Collaborative approach:

Puma is working with the Fair Labor Association and the Fair Wage Network. Some partnerships with unions were mentioned on specific initiatives. Puma is a signatory of the Indonesia Protocol.

Strategy:

Puma projects:

Human-resource management in China. Work focused on productivity improvements and human-resource management techniques. **Scope:** 12 factories engaged. Delivered in partnership with Impactt. **Impact:** Wage ladder appears to show take-home pay was above the Asia Floor Wage figure for China in 2012, after overtime and benefits.

Human-resource management in Vietnam and Cambodia. The project "seeks to enhance human resource management systems among PUMA factories." **Scope:** 16 factories engaged. Delivered in partnership with the International Labour Organization's Better Work programme.

Fair Wage Network. 28 factories will develop 'road maps' based on Fair Wage methodology, three factories in Indonesia will receive specific technical assistance to increase wages.

Puma says that these various projects form its Better Wage programme: "The aim of this Better Wage program is to implement sustainably fairer wage structures in selected suppliers by 2015. The program does not guarantee that workers in selected suppliers will have increased wage levels, but works towards fairer compensation structures and practices."

Production overview:

Number of suppliers: 203 first-tier suppliers

Main production countries listed as: China (33%), Vietnam (21%), Indonesia (10%), Turkey (10%), Other (26%)

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

COMMENTS:

Puma is engaging in some work to improve wages in its supply chain, but still has some way to go before it arrives at a coherent strategy for paying a living wage to the workers making its products.

Puma's code of conduct states that compensation should be "respectful of basic needs and all benefits mandated by law", but says nothing about the company's position on a wage to support a family. The guidance manual for suppliers states that good practice on wages is: "The factory pays more than the minimum wage." We would hope that this guidance could become more ambitious.

Although it is good that Puma has acknowledged the Asia Floor Wage (a definition developed in Asia by unions and workers), it is unclear to us how this benchmark is used internally in the company. If a wage ladder approach is to be useful, it has to be integrated throughout all sourcing and compliance work that Puma is doing. So far it appears to be an added extra.

Puma has signed the Indonesia Protocol, which is great. Work to implement this and monitor its effectiveness needs to be at the heart of work to improve wages in Indonesia.

We were concerned that Puma says the Better Wage programme "does not guarantee that workers in selected suppliers will have increased wage levels." For us, "fairer compensation structures" (which is the language of the Fair Wage Network too) are intrinsically about wages being enough to live on. This has to mean that wages go up, not just that workers are paid the same amount in a 'fairer' way.

The Better Wage programme focuses largely on productivity improvements, and encouraging worker-management dialogue. This is all fine and good, yet we are sceptical about how far productivity improvements will boost wages in places such as Vietnam or Indonesia, where the gap between the minimum and living wages is significant. No clear indication was given as to whether Puma is willing to pay more to cover wage improvements, or how this plays a part in its long-term strategy. Puma says: "We are currently in the process of refining our costing methodology to assess how compliance standards can be better incorporated." Without this very important piece of the puzzle, we think little will be achieved in terms of real change for the workers who need it most.