



Case Study: Adidas And Yueyuen

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China Labor Watch (CLW) has monitored suppliers of Adidas since 1998, and has followed their developments for more than ten years. In August 2010, CLW investigated two Adidas supplier factories in Dongguan, Guangdong Province and one supplier factory in Jiujiang, Jiangxi Province. Following the investigations, CLW produced this case study report which focuses on the limitations of the current Adidas Group Code of Conduct (Workplace Standard) by comparing CLW's findings on Adidas suppliers in 2002, 2008 and 2010. Based on the findings of this study, we can reasonably conclude that:

1. External supervision is necessary for enforcing corporate codes of conduct. In the present anti-sweatshop movement, most international companies have established self-regulated social responsibility systems, attempting to enforce their own corporate codes of conduct. However, our investigation demonstrates that these codes are ineffective without supervision. On account of political reasons, the official national trade union, All-China Federation of Trade Union (ACFTU), is not able to play its proper role. Under these circumstances, multinational corporations should accept the supervision of independent labor organizations in order to effectively monitor and improve the labor conditions in their supplier factories.
2. Multinational corporations should allow workers to take an active role in developing independent worker organizations. Currently, workers are fully controlled by the top-down international production process, and another top-down code of conduct system cannot guarantee workers' welfare. Even if the codes are fully enforced, workers are assured only the most basic rights. The codes of conduct function to serve the companies, not the workers. What the workers need is a system in which workers and companies can negotiate equally. Workers in a more equitable system will think of themselves as stakeholders in the factory, not just employees. Profits of multinational companies and local factories may be reduced in the short term; however, they will be more likely to successfully and sustainably develop in the long term.

The emergence of contract factories in China is a result of the "race to the bottom" model after the reform and opening-up policy. Since then, the state has gradually relaxed economic administration, and the factories have increasingly come under the control of international capital. At the same time, the relationship between factories and workers has evolved into an inequitable relationship, which some scholars have deemed disorganized despotism.

Living and working conditions of workers are miserable under the control of factories, with international capital backing them. Child labor and prison labor are used, the lowest possible wages are paid, excessive hours are required, and many work-related injuries and even deaths are reported. International companies have been made accountable in recent years. They devised "corporate codes of conduct" as a response. Our study shows that:

First, if fully enforced, corporate codes of conduct are effective and efficient. The improvements at the YY and Smartball factories stated above are examples. However, in most multinational companies, corporate codes of conduct are treated as a public relation policy, rather than a genuine consideration for decision-making. These companies would not invest resources towards enforcing their codes of conduct without the supervision of the media and NGOs. Labor conditions in thousands of Chinese contract factories, especially small factories, still remain on par with those of the last century, largely due to lack of supervision. The investigation of Shingtak factory stated above is an example of this phenomenon.

External independent supervision is essential in enforcing corporate codes of conduct set by multinational corporations. Independent NGOs would be the most important source of this supervision, relying on their professional resources and networks.

The importance of the independent character of NGOs must be noted. Adidas created an internal auditing system in 1998; however, there was little to no improvement in labor conditions until 2009. It is clear that the most effective supervision is that which is conducted by external, rather than internal agencies. Nowadays, many companies actively cooperate with NGOs, and invite these organizations to participate in the work of their CSR department. Although this is a positive trend, it is important for NGOs to avoid becoming fully controlled by these companies. Only independent NGOs have the power to put pressure on international companies to create a genuine labor condition revolution. The public should realize the importance of these professional, independent labor organizations and offer more opportunities for their growth.

Second, although the corporate codes of conduct are effective and efficient when enforced, they are still insufficient. Pursuing maximum profit is the nature of multinational corporations. The code of conduct system is enforced from the top down - from the international capital to international companies, from international companies to local contract companies, from local companies to factories, and from factories to workers. The situation of workers as the bottom of the supply chain will not be changed unless the top-down system is changed. The only relationship which can guarantee the rights and dignity of workers, while also giving international companies more

space for sustainable development, is an equal relationship between workers and brand companies.

In practice, we believe that the emergence of collective bargaining should be the first step in this process. Through collective bargaining, an equal relationship between workers and multinational companies will be built, and the reform of trade unions may become possible. Under this equal relationship, workers' rights will be guaranteed. Wages will be raised to a reasonable level after collective negotiation. In addition, workers will gain dignity, hope, and a sense of belonging. This relationship will also fulfill the social responsibility of international companies, and provide them with the possibility of sustainable development. Ultimately, a triple bottom line will be honored: people, planet and profit.

In short, multinational companies should enable dialogue for workers and trade unions, and provide them with the opportunity to build an equitable relationship. The public should also support independent labor organizations, since the social responsibilities of companies will not be fulfilled without their supervision. NGOs should exercise due diligence while cooperating with multinational brand companies, and maintain their independence. This website is only an introduction to our case study.

The full report is 88 pages 

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