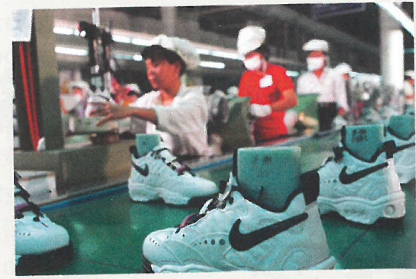


NIKE – a transnational corporation

Case study

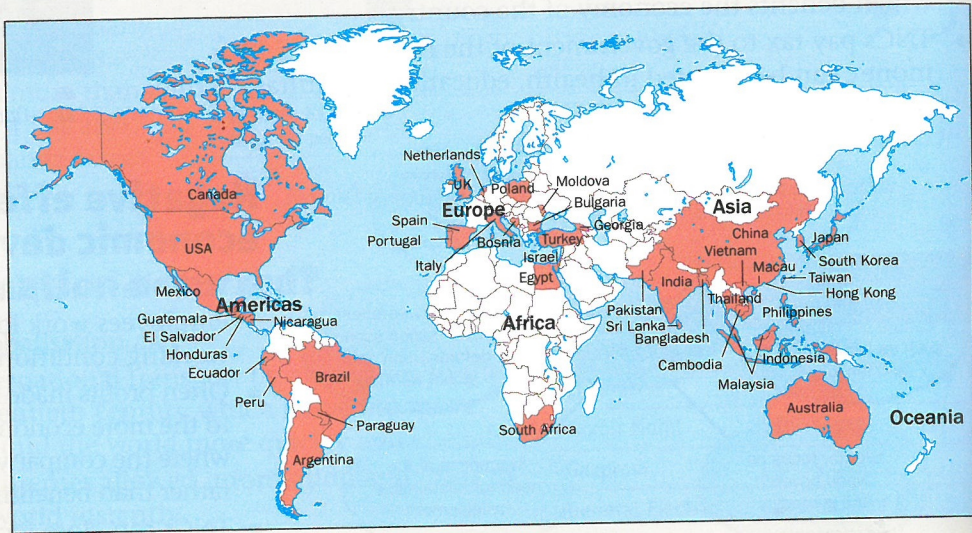
Nike was established in 1972. It is famous for supplying trainers, sports and leisure clothing, and sporting equipment which features the 'swoosh' symbol which is recognised globally. By linking many parts of the world Nike illustrates the economic features of globalisation. The headquarters of Nike are in Beaverton, Oregon in the USA, where much research and development also takes place. It employs 5 500 people in Beaverton but this is very small compared to the number of employees who work in factories across the world.



A Nike factory

Many of these people work in factories which are owned by companies to whom Nike subcontracts work. In 2013 Nike had 765 factories in 43 countries employing over one million workers.

At first Nike made and sold its products in North America and then in Europe. In the 1980s Japan became the first major market in the Far East where Nike also set up a regional headquarters and opened some factories. China is now Nike's fastest growing market where another regional headquarters has been set up.



B Countries where Nike has factories

Most of Nike's factories and employees are in countries of South East Asia. (Table C) The reasons why Nike located factories in these countries are typical of many TNCs:

- Labour was cheap
- Governments offered incentives to the company to locate there
- Raw materials were produced locally and so were relatively cheap to obtain
- Countries were close together to reduce transport costs
- Free trade took place between countries with no import or export duties
- There was an expanding market as countries developed economically

Country	Number of factories producing products for Nike	Number of workers	GDP per person (\$US)
China	206	260 000	8500
Vietnam	66	312 850	3400
USA	66	13 900	49 000
Brazil	55	23 000	11 900
Indonesia	40	167 000	4700
Thailand	36	30 000	9500
Mexico	28	20 400	14 800
Argentina	26	5400	17 700
Japan	26	1500	35 200
India	25	27 300	3700
Sri Lanka	22	30 400	5700
Malaysia	22	8600	15 800
South Korea	22	2100	32 100

C Countries containing more than 20 Nike factories

Nike in China



ENERGY & CLIMATE



LABOR



CHEMISTRY



WATER



WASTE



COMMUNITY

China is the second largest market for Nike products after the USA. Nike has shops in more than 300 cities. China is also the major manufacturing country for Nike with 206 factories employing 260 000 workers (November 2013). 70 per cent of the workers are female and the average age of a factory worker is 36.

A major reason why Nike was attracted to locate factories in China was the abundant labour supply and cheap labour costs. However this advantage has been eroded by the impact of the one child policy which was introduced in China in the late 1970s to control the rapid population growth. As people who

D NIKE impacts: where it is aiming to manage its impacts and produce greater benefits

were born in the 1950s and 1960s retire this policy is now reducing the labour force. China has an ageing population and is changing from a country with an abundant labour supply to one with a shortage. Factories are reporting difficulties in hiring workers and are having to raise salaries to attract employees from the shrinking supply available. Nike, like other TNCs, has taken the decision to re-locate some factories to other South East Asian countries where wages are relatively lower. The owner of one large shoe manufacturing company which makes Nike products explains that an employee's monthly salary in Eastern China is \$500 compared with \$300 in Indonesia and \$250 in Vietnam.

Nike's problems and solutions

Like other TNCs, factories making Nike products have been accused of paying low wages, expecting workers to work long hours, not providing sufficient training, having poor and unsafe working conditions and allowing supervisors to abuse workers. In 2010 20 000 workers in shoe factories in Vietnam went on strike for higher pay. In 2007 there were demonstrations in Indonesia when Nike decided to stop production at local factories and relocate elsewhere. This had a negative effect on local companies who relied on Nike employees to buy their goods. In China Nike was one of many companies which received bad publicity because factories were causing river pollution through waste discharge from the dyeing and printing process.

Nike is proud of its work in improving working conditions and protecting the environment. In response to some of the criticisms Nike took more responsibility for inspecting factories in order to improve working conditions and for increasing wage rates. In 1992 the company set up a Code of Conduct for all its factories which included protection of workers' rights and monitoring environmental impacts to make sure companies followed regulations on fire safety, air quality, minimum wage and overtime limits. In 2001 it introduced the Corporate Responsibility Report which set and monitored targets towards improving working conditions and hours, paying fair wages, increasing workers' skills and making them feel more valued to the company. The report also set environmental targets on reducing greenhouse gas emissions and increasing renewable energy use. From 2012 the company has inspected and monitored the performance of all factories.

Topic link



See Topic 1.1 pages 14–15 for details about China's one child policy.

Fantastic fact



In Greek mythology Nike was the Goddess of Victory.

Now Investigate



- 1 How does Map B show that globalisation has taken place?
- 2 Look at Table C. What conclusions can you make about where most of Nike's factories are located? Explain why factories in some countries employ more people than those in other countries.
- 3 Describe the impacts which Nike has had in China and South East Asia. Are there more positive or negative impacts?