



Resources Purpose Sourcing

Strategic Compensation in the Supply Chain

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We believe that a skilled, valued and engaged workforce is key for growth and sustainability. Nike is committed to working with our suppliers around the world as they seek to develop strategic compensation capabilities (i.e., competitive wage and benefits systems that progressively meet their workforces' basic needs, including some discretionary income), because every worker has the right to a standard of living that adequately supports them and their families. We define our standards in our Code of Conduct and Code Leadership Standards (CLS), which align to the Fair Labor Association's (FLA) standards on fair compensation.

Our Approach

We know that having an accurate view of worker take-home pay and supplier compensation structures is a critical first step to assessing compensation. In FY20, we started utilizing the Fair Labor Association's (FLA) Wage Data Collection Tool, which helps suppliers evaluate their wage data relative to external benchmarks, such as legal minimum wage, national poverty lines and estimates of living wages based on available benchmarks.

We then scaled from 13 of our suppliers' facilities to 111 strategic supplier facilities which manufacture 80% of Nike's product by volume and employ over 700,000 workers. We've been working with the FLA to make wage data collection tool refinements and added key performance indicators that provide a more comprehensive view of worker wages, based on the FLA's methodology and guidance. We collect this data alongside other human resource key performance indicators to create a more holistic view of workforce metrics in our supply chain.

After we have accurate data, a critical next step to assessing compensation is ensuring we have credible third-party benchmarks – including minimum, living and market competitive wages – in key labor markets. In markets where external benchmarks are not available, we work with experts to create them. In FY22, we started working with the Anker Research Institute to create a Global Living Wage Coalition (GLWC) living wage benchmark for Indonesia.

Now that the Indonesia benchmarks are finalized, and with the use of GLWC benchmarks in other regions where available, we're able to evaluate approximately 80% of strategic suppliers against a credible benchmark. Where there is not GLWC availability or local applicability, we fill in the gaps with other credible third-party benchmarks.

Based on the FLA's methodology*, our high-level findings from our FY23 (CY22 data) analysis were:

Similar to FY22 (CY21 data), strategic suppliers have an average gross pay of 1.9 times the minimum wage (excluding overtime).

**FLA's methodology may be updated in the future.*

Strategic Compensation Capabilities

Beyond analyzing wage data, we continue to work with suppliers to advance their human resource management (HRM) capabilities to attract, retain and develop talent.

In 2015, we started engaging strategic suppliers to develop new compensation and benefit models. We created a hands-on pilot with one supplier's facilities in Thailand, synthesized our learnings in relationship with the University of California at Berkeley's Institute for Research and Employment and began facilitating shared learnings across strategic suppliers.

By creating forums to help facilitate best practices sharing across strategic suppliers to understand their most common challenges in enabling competitive pay, we help suppliers assess the different capabilities needed to enable mature compensation approaches as part of their overall strategic HRM systems. Examples of best practices include having integrated IT systems, benchmarking with the local labor market, aligning incentives and incorporating worker voice.

Since then, we have transitioned from testing new ideas to exploring opportunities for scale. Over the next few years, our work will focus on identifying mechanisms to understand strategic suppliers differing maturity levels when it comes to compensation capabilities and using those learnings to influence targeted programmatic support. In 2024, we piloted a compensation capability assessment that will give us a richer picture of pay structures and compensation capabilities to complement the deeper insight we will have on average wage levels.

Listening to the Worker

We also implement a range of proactive worker engagement programs, including Nike's Engagement and Wellbeing program, an annual survey which provides workers with an opportunity to share their experience on various topics, including issues of financial security. Virtual platforms are also available for worker-management dialogue through Nike's Better Work membership and through supplier digital worker voice tools on mobile

devices and in-facility tablets.

Once worker feedback is collected, we support suppliers to convert that feedback into actionable improvement plans, embed practices into the suppliers' systems, and engage in additional programming or further support based on worker needs. Nike then monitors supplier target progress and conducts regular check-ins to encourage continued commitment to targets and provide targeted support to address implementation challenges.

Relatedly, NIKE's broader approach to gender equity within our strategic suppliers will support the advancement of more mature compensation approaches. Nike partnered with the International Center for Research on Women (ICRW) to develop an open, online resource hub that supports textile, clothing, and footwear manufacturing suppliers in understanding and improving gender equity within their organizations. The Hub contains a Self-Diagnostic Tool (SDT) that suppliers can use to understand their current gender equitable state as well as an Opportunities Explorer that identifies avenues to further integrate gender equity into facility governance and operations. Nike's strategic suppliers use these tools to diagnose current state and identify next steps in creating a more gender equitable workplace. Both the Self-Diagnostic Tool and the Opportunities Explorer include sections on Pay, allowing our suppliers to better understand best practice in establishing fair wage systems and enabling wages that align with local cost of living. Since scale of the SDT began in FY21, Nike has seen an improved overall score in the pay & compensation domain by +25%.

For more information, visit our [Engagement and Wellbeing Program](#) page.

Responsible Purchasing Practices

Enabling strategic compensation for workers through responsible purchasing practices is a key focus for us. NIKE follows the FLA Principles of Fair Labor and Responsible Sourcing and our social compliance program has been accredited by FLA against these principles. Along with driving compliance based on our CLS, we look internally at how our business practices impact those who make our product.

We work across supply chain teams to align and incorporate key labor insights, such as living wage benchmarks and local labor context, into key business decisions. We also meet with suppliers on a quarterly basis to discuss current and future business forecasts to enable them to plan and act responsibly when it comes to workforce decisions.

To ensure we continue to receive feedback on our holistic purchasing practices, we work with Better Buying who provides critical, anonymized input from suppliers on our purchasing practices through their annual Purchasing Practices Index survey. We have been participating in their survey since 2018 – using the results of their survey to address opportunities for improvement. The most recent survey results show NIKE scoring above the industry average overall, across both footwear and apparel suppliers.

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