

Social Accountability



White Paper on SA 8000



**LAKSHY MANAGEMENT
CONSULTANT PVT LTD**

aiming excellence

www.lakshy.com

INTRODUCTION

SA 8000 is an international standard for social accountability initiated by CEPPAA (Council on Economic Priority Accreditation Agency). The objective is to ensure ethical sourcing of goods and services. It is a voluntary standard and can be applied to any size of organization or business across all industries. The standard can replace or augment company's or industry's specific social accountability codes.

SA 8000 sets basic standard for:

- Child labour;
- Forced labour;
- Health and Safety;
- Freedom of association and the right to collective bargaining;
- Discrimination;
- Disciplinary practices;
- Working hours; and
- Compensation;

Additionally, an organization must introduce a Social Management System (SMS) to ensure compliance and continuous improvement in delivering the above cited aspects. The requirements in the standard itself are based on the various conventions and recommendations of the International Labour Organization (ILO) and on the Universal Declaration of Human Rights and the Convention on the Rights of the child of the United Nations (UN).

Sa8000 is not an official standard, but it has the support of major companies and organizations over a wide spectrum of interest (see appendix). This support and the demand by consumers for world wide social standards will ensure that a SA 8000 certificate will be highly recognized.

BUSINESS BENEFITS

The key business benefits from a customer point of view include:

- if a company already has its monitoring procedures in place to ensure that products sold under the company's name or brand are produced in a way today's customers expect, the standard will significantly reduce the costs of monitoring.
- Implementing the standard will lead to greater confidence that the supplied products and services are produced in a working environment that is fair and safe. The requirement for continuous improvement, the need of regular third party audits and the certifications are the bases for an enhanced corporate reputation and a better corporate image.

As a supplier you can expect the benefits in the following areas:

- In a business environment where social issues are increasingly important SA 8000 is a chance to gain a competitive edge, attract new customers and enter as new markets while giving the company and its managers "social peace of mind".
- Implementing the standard can significantly reduce cost of managing different social requirements. SA 8000 is a one stop shopping opportunity.
- SA 8000 will also give the company a better position in the labour market. The clear commitment to social and ethical standards will make it easier for a company to attract well trained and skilled staff a factor which is seen as THE key success factor in the next millennium.

The company's commitment to employee welfare will increase their loyalty and commitment to the company. This will not only enhance the organizations productivity but will lead to better customer relations and long term to more loyal customers.

REQUIREMENTS

The requirements in the SA 8000 are to a wide extent based on conventions and recommendations of the ILO. SA 8000 standard explicitly covers 13 ILO requirements as follows:

- Minimum Age and Recommendation; Occupational Safety and Health Recommendation;
- Forced Labour Convention;
- Freedom of Association and Protection of the Right to Organise Convention;
- Right to Organise and Collective Bargaining Convention;
- Equal Remuneration convention;
- Abolition of Forced Labour Convention;
- Discrimination (Employment and Occupation)Convention;
- Workers Representatives convention;
- Minimum Age Convention;
- Minimum Age Convention;
- Occupational safety and Health Convention;
- Vocational Rehabilitation and Employment Convention; and
- Home work convention;

Beside these conventions and recommendations, SA 8000 requires a company to respect the Universal Declaration of Human Rights and the United Nations Convention on the Rights of the child.

These requirements and meant to cover the international aspects of social accountability and are intended to set a minimum Standard of social accountability World Wide.

Locally, the company must also comply with the respective regulations and laws in the country where it has operations, and must fulfil other requirements demand nothing more than legal compliance.

The standard maps out how a company should incorporate the following aspects:

- **Child labour**

No engagement in the use of child labour, or if minimum age law applies, a minimum of 15 years (or 14 years under certain conditions) is to be followed unless the law stipulates higher age or mandatory schooling of young workers.

- **Forced labour**

No engagement in forced labour whatsoever and no lodging of deposits or identify papers upon employment.

- **Health and safety**

Safe and healthy working environments, risk prevention by minimizing the hazards, health and safety training, sanitary facilities, access to drinkable water, and access to emergency or accident facilities.

- **Freedom of association and the right to collective bargaining**

The right to form and join trade unions, no discrimination of union members, free access to union representation of their members at the workable, Right to engage in collective bargaining, if deemed necessary, to agree or settle personnel issues fairly.

- **Discrimination**

No discrimination in hiring, compensation, access to training, promotion, termination or retirement based on: race, caste, national origin, religion, disability, gender, sexual orientation, union membership or political affiliation. No sexual harassment.

- **Discrimination practices**

No corporal punishment, mental or physical coercion and verbal abuse.

- **Working hours**

Maximum 48 hours per week with 1 day off every 7 days and overtime work should not exceed 12 hours per week. Overtime work is an exception and always paid at premium rate.

- **Compensation**

Wages shall be at least at the legal minimum requirement or at industry standard. No deductions for disciplinary purposes. Wages and benefits must be detailed clearly and regularly. Full legal compliance regarding appropriate compensation law. Compensation must be in monetary form (as cash or check). No labour-only contracting arrangements or false apprenticeship to by-pass legal requirements.

To insure that the requirements are in place and respected, SA 8000 asks for a social management System (SMS).

ELEMENTS OF A SMS

The social management system (SMS) as required by SA 8000 must include the following key elements.

SOCIAL POLICY

The social policy should cover social accountability and labour conditions, and ensures that the SA 8000 requirements are met; all local rules and regulation and all international recommendations and agreements are fulfilled. It should state a commitment to continuous improvement. The policy must be documented, implemented, communicated internally and externally and publicly available.

MANAGEMENT REPRESENTATIVE

The standard requires a senior manager to be appointed as representative who assures that the requirements of the SA 8000 standard are met. A person from the non-management group shall be chosen to facilitate communication between management and non-management staff on behalf of the SA 8000 standard.

PLANNING

The company must ensure that the requirements of the SA 8000 standard are fully understood, which includes that ILO agreements and recommendations and the local regulations as well. The company should use the following tools to support planning and implementation of SA 8000.

- define clear roles, responsibilities and authority;
- train new or temporary employees upon hire;
- periodically train existing employees; and
- periodically run awareness programs.

A continuous monitoring of the system has to be designed to ensure that the system works as required and is effective.

IMPLEMENTATION

The implementation requires a continuous monitoring of activities and the results to demonstrate compliance with SA 8000 and related requirements. In addition, the standard requires the Organisation to:

- establish and maintain a procedure to evaluate the suppliers based on the requirements of SA 8000 ; and
- keep records of the suppliers commitment of social accountability including the written commitment to conform to all requirements of SA 8000 (including this clause), to participate in the monitoring activities when requested, to address a non-conformance status promptly, and to inform the company of relevant changes in its relationship with suppliers and sub-contractors.

The control of an organizations supplier- as it is mapped out in SA 8000-will automatically lead to a kick back in the value chain. The company is required to have reasonable evidence [SA 8000] that suppliers meet the above requirements.

CHECKING AND CORRECTIVE ACTIONS

If specific requirements of the standard are not met, the company must undertake immediate corrective action and allocate resources to get back on the track. The company must investigate any concerns-either from internal or external sources- that point to a non-conformance issue. Any discriminative action against employees that report a non-conformance is strictly prohibited. To ensure that employees can report their concern in strict confidence.

MANAGEMENT REVIEW

A systematic and periodical review of the social management system should ensure that the system required by the SA 8000 is adequate, sustained and effective. This review can be based on internal audits or assessments respectively.

COMMUNICATION

The company must establish procedure for third party communication which includes access for verification of documents if required by contact. The communication includes the results of reviews, monitoring data, and the performance against the standard. Depending on the size of the company, it is advisable to publish this information regularly and communicate it not only to third parties but also to internal stakeholders.

RECORDS

To facilitate outside verification and to demonstrate conformance, the company must keep records that demonstrate conformance with the standard.

IMPLEMENTATION: PLAN-DO-CHECKED-ACT FOR SA 8000

SA 8000 being a management system follows the classical <Plan-Do-Check-Act>principle. These four stages prepare the way for certification.

PREPARING THE IMPLEMENTATION

Before starting the implementation it is advisable to take some initial preparatory steps which should include an initial screening against the standard. In this process the existing social management system is assessed against the local regulatory requirements and the ILO recommendations and conventions. The outcome is a gap-analysis which is the core part of the report to be submitted to top-management.

Beside the initial assessment the report should include a first estimate of costs and benefits. Based on that report senior management has the appropriate information to decide whether to go on or stop the project.

PLANNING THE IMPLEMENTATION

The first step in planning the implementation is the assignment of a management representative to be in charge of social accountability, the standard, and its requirements. The core element of every management system is a policy that gives guidance in strategic and day-to-day management decisions and action. Based on this social policy and the initial social assessment, the company should determine social priorities and objectives. These priorities should be operationalized through social targets.To achieve these targets, action has to be taken by establishing social programs that improve the company's social performance.

IMPLEMENTING: DO-CHECK-ACT

To implement the SMS an organizational structure and clear responsibilities must be put in place. The person in charge of the SMS must establish a system for document and operational control and establish internal and external communication channels. A base documentation of the SMS is advisable. To make sure that the system works as intended the company should conduct training covering the requirements of the standard and the SMS itself.

A continuous monitoring system should assure that the requirements of the standard are met and corrective action is taken in case of non-conformance. Additionally to the internal monitoring a continuous control of suppliers and subcontractors is required by the standard. In that process the company should gather reasonable evidence that the social requirements laid out in SA 8000 are met by their business partners as well (including financial stakeholders, like banks and shareholders!). On a mandatory basis the company can even expand this control to their customer to their customers. If the company discovers non-conformance with the standard immediate corrective action must be undertaken.

Beside this continuous monitoring and control, the company should conduct a yearly social performance review (an assessment against the standard as well as the goals and objectives). The review serves as the basis for a top-management review.

CERTIFICATION

Once the SMS is in place and the organization is confident of having met all the requirements, the external audit and certification process can be initiated. This process requires multiple steps:

- The first task is to identify the suppliers of the organisation to be audited. The audited team then prepares checklists that help to verify the conformance with the standard, local regulations and other requirements.
- The next step is a site visit by the certification body to audit the company with respect to the requirements of the standard. The audit includes interview, inspections of facilities and records. The time requirement for a small company is as little as one day. Larger organizations can expect the audit to be conducted within several days.
- After the site visit, an audit report will be submitted to top-management including the results and recommendations for improvements.
- The last step is the issue of the certificate. The certificate is valid for three years. After conducting the first audit and the certificate is issued, the certification body will conduct surveillance audits on a regular basis (yearly follow-ups).

Although the cost of this process is considered to be the cheapest part of the whole process, they will ensure giving its global credibility.

COSTS

The costs of implementing SA 8000 are largely dependent on the company. Basically the costs can be divided into three categories:

- The cost of complying with the ILO recommendations and agreements and local regulations can increase direct labour costs. Depending on the current conditions, there could be a need to invest in technical infrastructure to improve health and safety standards. This is likely to increase a company's overhead costs.
- The implementation of the SMS that is required by the standard will add some initial costs and the maintenance of the system is not free of charge either.
- The smallest part of the overall costs is induced by the certification process.

Taking these costs into account and looking at the potential benefits the decision to comply with SA 8000 is considered to be quite a profitable investment in the future and prosperity of a company and the people. Last but not least, compliance with SA 8000 guarantees a high level of social peace of mind for the owners of a company and its management.

APPENDIX

Organisations

The following organizations initiated, developed and/or supported the development of the SA 8000 standard

- CEPAA (Council on Economic Priorities Accreditation Agency for SA8000
- Avon products, Inc. [USA]
- Amnesty International
- Otto-Versand [Germany]
- KPMG Peat Marwick [USA]
- The Body Shop [UK]
- National Child Labour Committee [USA]
- Sainsbury's [UK] University of Taxes [USA]
- Abrinq Foundation [Brazil]
- International Textile Garment and Leather Workers Federation [Belgium]
- Grupo M.S.A [Dominican Republic] Amalgamated Bank [USA]
- Reebok International [USA]
- SGS-International Certification Services [Switzerland]
- Franklin Research & Development [USA]
- Toys 'R' Us [USA]
- Ethical Trading Initiative [UK]
- Eileen Fisher Inc. [USA]

WHAT WE OFFER?

With a team of highly qualified consultants and trainers having vast industrial experience, Lakshy Management Consultant Pvt. Ltd. partners organizations across the world to implement and achieve SA 8000 certification.

Our consulting approach is highly professional, time bound and effective resulting in ease of implementation and adds value to the business processes of the client organization.

Contact us at info@lakshy.com to get your organization SA 8000 certified.



**24 HOURS
CUSTOMER CARE
91 9821780035**

**WHITE PAPER ON SA
8000 SOCIAL ACCOUNTABILITY**



**LAKSHY MANAGEMENT
CONSULTANT PVT LTD**

aiming excellence

229, Sai Chambers, Sector 11, CBD Belapur,
Navi Mumbai 400614, India – R00-260410
Phone +91 32995241

Web: www.lakshy.com • Email: info@lakshy.com

