

# **SA8000: A Systematic Approach for Pursuing a High Road to Development**

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**Submitted by**

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## **I. Introduction**

As a citizen of China living in the United States for the past five years, I had a chance to observe and live through the reality of globalization at both corners of our global village. It seems to me that, for people in the developed world, globalization brings multiplied choices of consumer goods at increasingly lowered costs. On the other hand, for millions of working people in the developing countries, however, “choice” and “low costs” may not be the buzzwords to describe the impact of globalization. For many of them, globalization did “lure” them out of their villages and give them the chance to experience life in cities, to be more specific, newly developed industrial zones.

To developing countries, an increasingly globalized economy offers new opportunities for development, poverty alleviation and nation building. It’s understandable that, when developing countries still have to depend on investment and technology from the West, they have to be ready to bear some costs: underpaid workers, widened income gap, overcrowded cities, and a compromised environment. However, if development is only for development’s sake, and if sacrifice is unconditional, we have to say this kind of strategy is short sighted. After all, development should be only the means of the ultimate goal: to create a society in which its members can “lead the kind of lives they have reason to value.”<sup>1</sup>

Since the 1990s, more and more national governments, businesses, NGOs, consumer groups, and concerned individuals in both developed and developing countries have realized the importance of ‘depolarization’ of economic and human development and have developed many concrete strategies and models to promote sustainable development. SA8000 is one such attempt. Giving full consideration to both the need for development, and the necessity of promoting good workplace conditions worldwide, SA8000 can be a very useful instrument to pursue the high road to development. This paper will offer an overview of SA8000 and explain how it can contribute to socially responsible business operations around the world.

## **II. The origin of SA8000**

Given worldwide access to capital, improvements in manufacturing flexibility and the speed of global communication, major retailers and brand companies in the West have been able to shift more and more production to low-cost producers around the globe. This expansion in global sourcing contributes profits to the buying companies, creates new economic opportunities for workers and communities in the developing world.

However this increasingly extenuated global supply chain contributes to a large number of problems too. On a daily basis, millions of children and adults work exhausting hours in unsafe settings for wages that do not meet their basic needs. Unfortunately, these newly created jobs are often the best economic option available to workers and still millions more people are on the

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<sup>1</sup> Amartya Sen, *Development as Freedom*. New York: Alfred A. Knopf, 1999

waiting list for these positions. Just as production has gone global so have media attention and consumer awareness. Consumers in the West today are deeply troubled by the plights of the workers in the developing countries and are pressuring transnational companies to take up more responsibility for their supply chain. According to the Business Week/Harris public poll in 1996, 95% of respondents say that companies should have responsibility not only to shareholders but also to their workers and local communities.<sup>2</sup> Similarly, a 1999 Millennium Poll of 25,000 citizens across 23 countries concluded that "public pressure on companies to play broader roles in society will increase significantly over the next few years." Among its findings, the poll found that: 90 % of people surveyed want companies to focus on more than profitability; 60 % of people, in forming impressions of companies, focus on corporate citizenship ahead of brand reputation or financial factors; 40 % said they responded negatively to or talked negatively about companies they perceived as not being socially responsible.<sup>3</sup>

In response to consumer groups' requests, in 1991, Levi Strauss & Co. became the first company to establish a comprehensive ethical code of conduct for manufacturing and finishing contractors worldwide. The 1990s saw a host of global brand names follow suit, such as Nike, Gap, Liz Claiborne, Timberland, Toys R Us, Avon. In 1995, the CEP (Council on Economic Priorities, a New York based research organization focusing on corporation social performance for 30 years) did a study on companies' policies on child labor and codes of conduct. CEP's findings showed the inconsistency among codes and the need for systematic independent verification, full implementation of the company codes. Later in 1997, CEP analyzed 71 codes from U.S. companies and found that these company codes typically do not cover all core labor rights - especially freedom of association/right to collective bargaining, limits on working hours and a basic needs wage.<sup>4</sup> In 1998, the ILO analyzed 200 company codes, and they found similar results.<sup>5</sup>

Thus, CEP set out to develop a more comprehensive code of conduct. They convened an international advisory board of companies, NGOs, and trade unions to oversee the development. The advisory board approved the publication of SA8000 in fall of 1997, and in 1998 Social Accountability International was established, as CEP's accreditation agency, to oversee SA8000's implementation and further development.

### **III. SA8000 system overview**

**SA8000 is a consensus-based standard.** Social Accountability International realizes that the causes to labor problems are multifaceted and complex; it's not merely problems between employers and their direct employees. Thus we strongly believe that the

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<sup>2</sup> Business Week/Harris Poll: *America, Land of the Shaken*. March 16, 1996

<sup>3</sup> The Millennium Poll on Corporate Social Responsibility was conducted by Environics International Ltd., in cooperation with The Prince of Wales Business Leaders Forum and the Conference Board in 1999.

<sup>4</sup> According to the study, among the 71 codes analyzed, only 20% had reference to the right to free association, 10% reference the right to collective bargaining, 17% guarantee one day off in seven, and only 7% guarantee a decent wage.

<sup>5</sup> ILO Governing Body: *Overview of global developments and Office activities concerning codes of conduct, social labeling and other private sector initiatives addressing labour issues*, Geneva: November 1998.

alleviation of labor rights violations require the involvement and commitment from multiple stake holders: government agencies, companies, worker's organizations, NGOs, consumer groups, academics and other concerned individuals. As mentioned above, SA8000 was developed by a multi-sector advisory board representing different perspectives and interests. SAI coordinated multiple rounds of conference, consultation, and discussion in two years before consensus was reached and the standard was published in 1997. The SAI advisory board continues to oversee the standard's interpretation, ongoing development and the quality of its implementation.

**SA8000 is a voluntary standard.** For suppliers & contractors, SA8000 is not merely a set of regulations and requirements. SAI does not encourage signatory or other involved companies to stop business relationships with those suppliers who fail to pass certification audits, or whose certifications are withdrawn because of non-compliance, keeping in mind that cut or reduced orders mean lost jobs in developing countries.

Rather than being a regulating effort, SA8000 offers incentives to factories willing to move toward the system and to improve their workplace conditions. Benefits to SA8000 compliant factories include:

- ❑ A credible and effective way to comply with national law and to put social responsibility into action
- ❑ Enhanced company and brand reputation, and as a consequence, more business orders and competitive advantage
- ❑ Improved employee recruitment, retention and performance
- ❑ Gains in quality and productivity
- ❑ Reduction of fatigue related accident rate
- ❑ Savings from fewer workdays lost and lower insurance bills
- ❑ Less expensive than an internal compliance program
- ❑ Better relationships between workers, trade unions, companies, customers, NGOs and government

SA8000 can also benefits consumer and investor groups:

- ❑ Clear, credible information for those who want to make ethical purchasing decisions
- ❑ Useful data for socially responsible investors
- ❑ Identification of products made under good conditions
- ❑ Identification of companies making progress toward good conditions
- ❑ Broad coverage of product categories and production geography

And above all, the adoption of SA8000 is a good investment in human capital and worker protection, which is widely recognized as a major cause to growth in modern world. In a word, SA8000 community firmly believes that decent work leads to productive work, and decent work can be both the means and the ends the same time.

**SA8000 is an independent 3<sup>rd</sup> party verification system.** The CSR community today have more or less reached a consensus on a common ground of workplace conditions, indicated by the similarity of the content of various codes of conduct (other than

requirements on freedom of association, right to collective bargaining, and living wage). The real challenge is the development of a system to verify the implementation of codes of conduct worldwide.

Drawing on the verification model developed by International Organization for Standardization (ISO 9000, ISO 14000), SAI adopts an independent 3<sup>rd</sup> party verification system. To avoid conflict of interests, SAI does not certify companies directly. Instead SAI accredits qualified global and local agencies to conduct certification audits worldwide. Accreditation to be an SA8000 auditing body requires an extensive staff background in systems auditing, intensive training in SA8000, and the institutional capacity to assure quality and responsiveness. There are currently nine accredited auditing bodies – SGS, BVQI, DNV, ITS, UL, CISE, RWTUV, RINA, and TUV. After the issuance of certification, accredited certification bodies will conduct surveillance audits every six months to verify compliance and corrective actions. In turn, SAI conducts regular review on certification bodies' performance (office audits, evaluation audits) to make sure certification bodies and auditors' auditing conforms with procedures developed.

We believe that this two-tiered system will enhance credibility since there are two reputations behind any certification – the certifying body that conducted the audit; and SAI, which oversees the performance of the certifying body.

**SA8000 is an open system.** The names and addresses of all SA8000 certified facilities are available on the SAI website ([www.sa-intl.org](http://www.sa-intl.org)). Facilities that lose their certification are removed from this official list. Companies that become SA8000 signatory members must release their plan for achieving SA8000 certification of designated company-owned and supplier facilities and submit annual progress reports to SAI for verification followed by public posting. In addition, a built-in **complaints and appeals system** allows all interested parties, from workers working at the facility to local NGO groups, to challenge the certification. There have been a number of certifications withdrawn due to complaints filed directly or indirectly with SAI.

**SA8000 covers all core labor rights.** The SA8000 Standard sets out clear and verifiable rules that cover all core labor rights contained in the widely accepted ILO Conventions, the United Nations Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, and the United Nations Convention to Eliminate All Forms of Discrimination Against Women.

The Standard also requires that facilities seeking certification have management systems in place to assure on-going compliance. Here is a brief summary of the nine elements of the SA8000 Standard.

1. **Child Labor** – no workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working

2. **Forced Labor** – no forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters
3. **Health and Safety** – provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water
4. **Freedom of Association and Right to Collective Bargaining** – respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and collective bargaining
5. **Discrimination** – no discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment
6. **Disciplinary Practices** – no corporal punishment, mental or physical coercion or verbal abuse
7. **Working Hours** – comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; overtime must be voluntary and be paid at premium rate.
8. **Remuneration** – wages paid for a standard work week must meet the legal or industry standards and be sufficient to meet the basic need of workers and their dependents; no disciplinary deductions
9. **Management Systems** – have in place the management systems needed to assure long-term compliance. This element requires that facilities seeking to gain and maintain certification go beyond simple compliance and to institutionalize the intent and elements of the standard. Senior management commitment, written and implemented policy, regular performance review, access to information, and communication plan are among the requirements. Management Systems is one of the key elements that distinguish SA8000 from other code initiatives.

#### **IV. SA8000 in Asia**

As of July 2002, SA8000 certificates were issued to 131 facilities in 26 countries in 27 industries, about 80 certified facilities are in Asian countries including China (with 30 certifications), India (15), Vietnam (8), Indonesia (7), Pakistan (7), Thailand (6), Korea (3), Philippines (2), Bangladesh (1), Malaysia (1), Laos (1), and Japan (1) Though the distribution of certified facilities are skewed in favor of the developing countries, we have witnessed a growing interest in SA8000 appliance among the highly industrialized countries. As of July 2002, SA8000 certification bodies certified facilities in Italy (with 25 certifications), France (3), United Kingdom (3), Japan (1), United States (1), among others.<sup>6</sup>

Many companies and factories are using SA8000 to perform self-assessment or 2<sup>nd</sup> party audits, though they are not ready to move forward to certification. According to our incomplete estimates, there have been more than 2,000 SA8000 audits conducted around the world, a large portion of these audits occur in Asia's supply chains.

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<sup>6</sup> SAI publish and update certification list online periodically, for latest certification information, please check out [www.sa-intl.org](http://www.sa-intl.org).

To reflect the strategically important position of Asia in the global supply chain, SAI directs much of its efforts towards working with diverse actors in this region to promote CSR.

SAI has been conducting systematic research of the labor conditions in this region and created in-depth review and profile for each of the major countries in Asia.

SAI regularly offers training courses to suppliers, prospective certification bodies and auditors, and companies in Asia. The most recent supplier training programs were hosted in Thailand and Vietnam this August. The upcoming training will be offered to toy and garment manufactures in Guangzhou, China on September 23 and 24 this year.

SAI has set up working relations with a number of trade unions, NGOs, government agencies, academics, and other concerned individuals in the region. For instance, the Southeast Asia consultative workshop of August 1999 was organized jointly by SAI, Trade Union Congress of the Philippines, the local affiliates of the International Textile, Garment and Leather Workers' Federation, and the Philippine Business for Social Progress (PBSP). The workshop was attended by a variety of institutions including ALU-TUCP, Confederation of Labor & Allied Social Services, Ayala Foundation, Inc, Employers Confederation of the Philippines, Bureau of Labor Relations, Philippine Exporters Confederation, Inc., Trade Union Congress of the Philippines, National Institute of Development Administration, Bureau Veritas Quality International, ITGLWF-Union of Filipino Workers among others.

In February 2000, SAI held its second annual conference in Hong Kong. Representatives from over 65 companies and agencies, foundations, NGOs and unions convened in Hong Kong to discuss specific strategies on promoting corporate social accountability, recruiting more suppliers to become certified, and discussing the technical aspects of social auditing.

In April 2001, SAI convened SA8000 implementation conference in Shenzhen, China. The two-track conference was attended by over 200 representatives from international buyers, local manufacturers, business associations, trade unions, NGOs, and government agencies in the region.

In November 2001, SAI hosted a seminar in Guangzhou, China. Among 52 participants, about half of them were from this region. Representatives from business, trade union, NGOs, government officials, academics had a very frank, focused and enthusiastic discussion on the issue of excessive working hours and possible means to curb illegal overtime in Chinese factories.

As the empowerment of workers is the core of the whole system, SAI has paid much attention to communicating with the workers about the use of SA8000 to protect their fundamental rights. It's widely acknowledged that workers in numerous Export Process Zones around the world have no problem of fulfilling their obligations to work hard, to improve productivity, and to be punctual, among others. However, in most cases they

lack the means to protect their fundamental rights. Since late 2000, SAI, in alliance with ITGLWF's (International Textile, Garment and Leather Workers' Federation) affiliates in Asia, Africa, and Central America, have been working on a 12-country workers' training modules. The first sessions of this three-year project had been conducted in the Philippines, India, and Bangladesh in 2001. In 2002, trainings will be offered to worker's organizations in Thailand, Indonesia and Pakistan. Currently we are planning to expand this training module to more countries in Asia, including China and Vietnam. One possible modification is the inclusion of management in the expanded training program, as improved worker-management communication is always SA8000's core goal.

## **V. The challenges ahead**

SA8000's prospects for successful implementation depend significantly on a number of major factors: public awareness and support, multi-stakeholder participation, sustained commitment of different sectors, mutual recognition and support among existing efforts, and better addressed cultural & national concerns.

### **1. Increased public awareness and support.**

In most developing countries the public still don't have much awareness of CSR or SA8000, though more and more companies are eager to get certificates such as ISO 9000, ISO 14000, which cover product quality and environmental protection respectively. An informed public – which includes business, labor, NGOs, consumers, and governments – can help generate the much needed support for CSR.

SA8000 can be a useful tool for implementing socially responsible systems in the workplace. . Particularly, SAI encourages governments and international organizations, such as the ADB, to:

- a. offer incentives and financial aid to factories moving toward socially responsible operations;
- b. support training initiatives that can bring management and workers together; and
- c. consider using CSR policy and practice as one criterion in making investment/loan decisions.

After all, SA8000 is only an interim means to address problems and improve workplace conditions in this transitional period for developing countries. The enforcement of national laws and a common ground of workplace conditions should be the ultimate solution.

### **2. Multi-stakeholder participation.**

Strategic alliances among business, labor, NGOs and governments will create a supportive environment for the implementation of the standard. Cooperation among these

stakeholders scales up the impact of their efforts. Networking, by allowing an open and transparent exchange of perspectives and experiences within and across these sectors, nurtures the cultivation of valuable trust in one another. If SA8000 is to accomplish its mission, interested parties must be continually vigilant. Pressure groups and NGOs, if possible with assistance from the media, serve as watchdogs in maintaining objectivity and fairness in all aspects of SA8000 implementation.

### 3. Mutual recognition and support among existing efforts.

Though highly confident of the standard and the system, we acknowledge that mutual recognition & support among existing efforts will significantly reduce costs for factories in the developing world and facilitate the accomplishment of the common goal: decent work and sustainable development.

SAI is working in alliance with other socially responsible certification and labeling programs to conduct peer reviews and explore possibilities for mutual recognition.<sup>7</sup> In the labor field, there is a growing consensus around key elements in workplace code and monitoring programs: a code based on international human rights norms (ILO Conventions, etc); an international, multi-stakeholder governance structure; an implementation program focused on systemic change in the workplace; direct involvement of senior management and workers; and auditors with local knowledge and connections.

### 4. Better addressed local concerns.

SAI acknowledges the different needs and expectations of societies with different development stages and cultural backgrounds. We understand that without a thorough cultural understanding and local support, SA8000 will be merely a “Western” effort instead of a truly international standard. Language skills and cultural knowledge are two of the top requirements to be a qualified SA8000 auditor. We have developed a work plan to work towards setting up a number of representative offices in Asia, in countries such as Vietnam and China, for example. We are working actively to seek more local partnerships to carry on activities related to CSR. A concrete step we are taking now is to “localize” our supplier training programs by using local trainers who understand not only CSR issues, but also SA8000 and the local conditions.

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<sup>7</sup> SAI is a founding member of ISEAL (International Social and Environmental Accreditation and Labeling Alliance), a collaboration of most of the voluntary international standards and accreditation programs focused on social and environmental issues. Other founding members include Fair Trade Labelling Organizations, International Federation of Organic Agriculture Movements, International Organic Accreditation Service, Sustainable Agriculture Network, Marine Aquarium Council, and Marine Stewardship Council. For more information, please visit [www.iseal.org](http://www.iseal.org).