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IR/PS CSR Case #07-15

Social Accountability International and the SA8000



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Table of Contents

I. Introduction	3
II. What is the CSR Problem?	3
III. Social Accountability International	3
IV. Social Accountability 8000	4
V. Why adopt the SA8000?	6
<i>A. Costs</i>	<i>6</i>
<i>B. Benefits</i>	<i>7</i>
VI. Causes for Concern	12
<i>A. Cause for Concern #1: SA8000 Accreditation</i>	<i>13</i>
<i>B. Cause for Concern #2: SAI Corporate Programs</i>	<i>15</i>
<i>C. Cause for Concern #3: SAI Board and Advisory Board</i>	<i>17</i>
VII. An Illustration: Dole Food Company	18
VIII. New Development: The Creation of Social Accountability Accreditation Services	22
X. Case Questions	24
XI. Appendix	25
<i>APPENDIX I: SA8000 AROUND THE WORLD: CERTIFIED FACILITIES</i>	<i>25</i>
<i>APPENDIX II: SAI STATED BENEFITS OF SA8000 CERTIFICATION</i>	<i>26</i>
<i>APPENDIX III: CORPORATE PROGRAM STATED SERVICES AND BENEFITS</i>	<i>27</i>
<i>APPENDIX IV: SA8000 STEPS AND COST OF ACCREDITATION</i>	<i>30</i>
<i>APPENDIX V: BOARD AND ADVISORY BOARD MEMBERS</i>	<i>32</i>

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I. Introduction

In this case study, I will discuss the organization Social Accountability International and its certification standard, the Social Accountability 8000 (SA8000). Rather than giving a complete informational overview of SAI and the SA8000 certification and accreditation process, I will delve into a description of the costs and benefits of SA8000 adoption. In addition, I will explore possible difficulties in the SAI setup that SAI might need to address to ensure it is a credible and truly independent organization. I will also use Dole Food Company as an illustration of some of the issues posed in the case study. After concluding, I present several case study questions for further contemplation by the reader.

II. What is the CSR Problem?

The basic Corporate Social Responsibility (CSR) problem is how to get companies to treat their workers right, and particularly companies that are involved in factory production in developing countries that do not yet employ strong labor laws. Additional facets of this CSR problem include what constitutes “right” treatment, and also how we measure and enforce right treatment.

III. Social Accountability International

Social Accountability International (SAI) is a “non-governmental, international, multi-stakeholder organization dedicated to improving workplaces and communities by developing and implementing socially responsible standards.” According to the SAI website, SAI was established in 1997 and convened an expert, international, multi-stakeholder Advisory Board to partner in developing standards and systems to address workers’ rights. SAI trains and accredits auditors that certify workplace compliance with social accountability standards. The primary

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socially responsible standard SAI has established to date is the SA8000 standard, which is discussed in this case study.

IV. Social Accountability 8000

In 1997, SIA established the Social Accountability 8000 (SA8000), a voluntary standard that promotes worker's rights to attempt to solve the CSR issue stated above. The standard is modeled on the well-established ISO9000 quality standard. It is thus based on the notion of continuous improvement, with the added prescription of specific performance standards. The SA8000 system is further based on International Labor Organization (ILO) standards and U.N. Human Rights Conventions, and according to SIA the system is "widely accepted as the most viable and comprehensive international ethical workplace management system available." Currently, close to 1400 facilities employing more than 680,000 workers in 64 countries and 66 industries are SA8000 certified.¹ For a map on certified facilities around the world, see Appendix I. Important to note is that the standard was created as a by a diverse cross-section of stakeholders, including trade unions, academia, corporations, auditing firms, NGOs, social investment firms.

The SA8000 Standard consists of nine main areas, with a summary as found on SAI's website²:

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

Forced Labor: No forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters

¹ <http://www.saasaccreditation.org/certifacilitieslist.htm>

² <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473>

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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

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 bargaining

Discrimination: No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment

Discipline: No corporal punishment, mental or physical coercion or verbal abuse

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; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement

Compensation: Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions

Management Systems: Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

In this case study, I will not explore the quality of the SA8000 standard. A copy of the standard can be found on SAI's website³ and future research may investigate how the SA8000 compares to other workplace standards. This is especially relevant since the SA8000 came out of a cross-section of stakeholders with diverse interests, and might thus be fairly conservative in the definition of workers rights compared to other standards. A very brief glance of the standard assures us that that the standard does seem to protect workers, at least at a basic level.

³ <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageID=710>

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The SA8000 Certification is not directly granted by SIA, but is granted through Third-Party Certification Bodies (CBs), traditionally trained and accredited by SAI. Although separating the standard setter from the standard enforcer is generally preferable to ensure independence, I will later explore some issues that may derive from this set-up.

V. Why adopt the SA8000?

The reasons companies choose to adopt a global workplace standard such as the SA8000 are manifold. In this section, I will briefly mention the costs of certification and especially focus on the accompanying benefits. As a side-note, this discussion will not entail a competitive element; i.e. it will not focus on why companies would choose SA8000 over other workplace standards, although this is an interesting topic for further analysis.

A. Costs

The cost of certification is not well-documented on the SAI website, but can be classified as direct and indirect costs. The direct cost derives from the actual certification process. The SAI leaves cost of certification process to CBs. According to SAI, the size, scope, and location of facility determine the number of days and auditors needed for certification, and typically range between \$500 and \$1,500 per day. I could not find any information on the average final cost of a median-sized factory. Pre-audit work is separate, and so are the surveillance audits (conducted every 6 months to one year according to SAI) and the renewal audits (conducted every 3 years).

The indirect costs are the costs of changes made by companies to live up to the certification. According to Sharon Hayes, former director of social responsibility and environmental affairs at Dole Food Company, the process of gaining SA8000 accreditation

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involved a lot of hard work and commitment on the part of the company.⁴ Dole does probably not have a problem in paying the direct certification costs, but it may be that it had to pay much in terms of indirect costs. Indirect costs are harder to anticipate and quantify without additional research. The following section of benefits will attempt to explain what benefits companies may derive from SA8000 certification.

In addition, although I will not delve into indirect costs much further, I want to raise a question to be explored at a later opportunity: Who Really Pays? The easy answer to who pay” (both the direct and indirect costs of certification) is the end consumer. Consumers, however, may not be willing to pay a premium for adherence to a workplace standard. The unwillingness of consumers to pay effectively pushes back the cost burden to the retailer. But large retailers such as Dole, Nike, and Adidas, are probably able to push back the cost to their suppliers because of their considerable customer power. Factories reliant on these large companies will feel pressured to bear most of the cost, especially if the retailer does not expect it will be able to pass on the price of SA8000 compliance to consumers if needed. Paradoxically, small factories that arguably could benefit the most from SA8000 may then suffer the most if the cost becomes too great. Although the direct costs seem bearable (\$1500 per day is not exorbitant), particularly smaller factories in developing countries may be hurt by the direct and indirect certification costs. This may be compounded if the factory is a producer of commodities and only compete on price.

B. Benefits

Most companies need tangible benefits to adopt such a standard to justify the cost of certification if they wish to stay competitive in the marketplace. Sharon Hayes interestingly states that the commercial benefits of adopting SA8000 practices are not immediately obvious. She comments:

⁴ <http://www.bsddlobal.com/viewcasestudy.asp?id=60>

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“At the moment it doesn't seem that consumers are rewarding this kind of socially responsible behavior in the marketplace.”⁵ Hayes comment is intriguing to me. Although I did not find exactly when Hayes gave this statement, one has to wonder why Dole chose to not only implement the SA8000 standard but also be on the SAI Board and a Signatory member in the SAI Corporate Program if there were no clear benefits. Dole has directly-owned operations in addition to contracting with suppliers, and therefore cannot push back all the costs of SA8000 certification to suppliers. Why would a company like Dole implement a costly program if it did not think it would be beneficial in terms of increased revenues and better reputation? Of course, managers' values matter—even though cynics may deny this—but consumers and vigilantes have sadly found watch-dog groups exist for a reason.

I would like to propose a few different benefits I believe Dole and other companies consider in adopting such a standard. Although SAI claims the benefits are more extensive than I propose here (See Appendix II), I believe SA8000 certification is a way for companies to (1) respond to vigilante and consumer criticism, (2) hedge against future brand and reputation damage, (3) reap PR benefit, and (4) gain credibility by implementing an external standard with external auditing. Another point that warrants more attention but that I will not discuss further in this case study is the possibility that there are tangible productivity benefits from implementing the SA8000. It is unclear whether the SA8000 does increase productivity or not, but if it does, the added productivity may warrant the costs of certification by itself—positive research in this area could help SAI market the SA8000 better.

⁵ <http://www.bsdglobal.com/viewcasestudy.asp?id=60>

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First of all, large retailers can respond to vigilante and consumer criticism by implementing the SA8000. Dara O'Rourke⁶ in his article on NGO market campaigns points out that although most consumers are not willing to search out improved products, they are inclined to avoid "bad" or untrustworthy brands. Although the effect is probably not consistent across industries, consumers tend to punish non-virtuous behavior in the market place. Exposés of poor working conditions in Adidas and Nike factories in the late 1990s did harm brand image and reputation for the two companies and caused them to more seriously consider working conditions in their extended supply chains. Implementation of the SA8000 may calm the vigilantes and allow companies to regain lost consumers confidence. Additional research may look at if watchdog NGOs indeed consider the SA8000 standard to be credible and sufficient.

Secondly, adopting a workplace standard such as the SA8000 may also hedge against future brand and reputation damage. O'Rourke states that corporations have a motivation to act to protect their brands and reputations to avoid lost sales. Companies may implement a system such as the SA8000 as a step to avoid future vigilante and consumer criticism that may turn out to be very costly. Dole Food Company, for example, as one of the largest producers and marketers of fresh fruit, vegetables, and fresh-cut flowers are susceptible to a variety of consumer concerns and pressures. Although they may not be as vulnerable to the "sweat-shop" image as other conglomerates, NGO vigilantes increasingly target industry leaders in various industries to ensure good working conditions. As O'Rourke's article shows, Dell, Nike, and Staples—all leaders in their respective fields—have been targeted for CSR reasons.

Implementing the SA8000 may therefore serve as insurance to avoid workplace scandals in the future.

⁶ Dara O'Rourke. *Market movements: Nongovernmental organization strategies to influence global production and consumption*. Journal of Industrial Ecology. 2005 - mitpress.mit.edu

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In addition to remedying and avoiding brand and reputation loss, many retailers may reap PR benefits of complying with the SA8000. Although this is partially related to the two above points, it warrants separate attention. Most large retailers have a Corporate Social Responsibility website in which they can signal its virtuous behavior, and some companies use their CSR behavior more aggressively in marketing campaigns. Although PR benefits may help in regaining consumer confidence or in hedging against scandals, consumers may not reward virtuous companies in their purchasing decisions except under specific conditions that O'Rourke's article also discusses. PR benefits may therefore not always outweigh the costs of SA8000 certification and compliance by themselves, and a specific case study or further research may be needed to examine the relationship between PR costs and benefits.

Finally, external standards and third-party auditing lends credibility that Internal Code of Conducts and internal auditing may not. Company internal codes of conduct and accompanying internal audits awaken several doubts in the mind of vigilantes and skeptic consumers. Companies often set internal standards to curb customer or vigilante criticism. If this standard is not rigorous enough, consumers and vigilantes may ultimately demand a more comprehensive standard. Even if internal standards and accompanying audits are rigorous, they may still not be sufficient to calm criticism. As Locke⁷ states, "given that brands and their suppliers may have an interest in hiding labor violations rather than reporting them, how trustworthy are these internal audits? Wouldn't the incentives for moral hazard be too great for these interested parties?" In other words, even companies that do not only want to green wash and that indeed have a great internal standard may have incentives (perceived or real) to hide adverse labor practices,

⁷ Locke, R., Kochan, T., Romis, M. *Beyond corporate codes of conduct: Work organization and labour standards at Nike's suppliers*. International Labour Review, Vol. 146 (2007), No. 1-2

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especially if the company in question is sensitive to attacks from watch groups. Thus, even if internal standards are rigorous, they may not be enough. A solution to the dilemmas of self-auditing internal code of conduct may then be to contract out audits of internal codes of conduct. But since external stakeholders often deem internal codes of conduct insufficient, implementing an external standard and conducting external audits may be the only way for companies to please stakeholders. The SA8000 can act as that external standard, and the third-party verification offered by CBs can satisfy the need for external auditing.

Thus far I have discussed benefits for large retailers in adopting the SA8000. What about the benefits and costs for independent factories? We expect them to neither have the same brand or reputation pressures, nor the strong PR benefits certification may afford. Their incentives for implementing the SA8000 of their own accord should therefore be fairly low. Despite this, it might be the case that factory owners see adopting the SA8000 standard as a step towards gaining competitive advantage and to attract business customers. But, as I mentioned earlier, the costs of certification may be too heavy to bear, especially for producers of commodities.

Additional study on the subject of costs and benefits might include an attempt to quantify the costs and the benefits for a specific retailer that has the SA8000 certification, such as Dole Food Company, Toys R' Us, or Gap. Perhaps even more telling would be a study on a supplier that does not get the same PR benefit or run the same PR risk as these large retailers do. Especially interesting is exploring if there are any independent factories that have adopted the SA8000 out of their own accord, and if this has offered them a competitive advantage (or disadvantage). In addition, estimating if there are any productivity benefits of SA8000 compliance will aid in understanding the benefits of SA8000 certification further.

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VI. Causes for Concern

I will now launch in to a discussion on potential causes for concern in the SAI set-up. These causes for concern are not meant to discredit the SAI and the SA8000, but rather to highlight potential areas of improvement. Most of the concerns are not specific to SAI but may be causes for concern in the certification and verification industry as a whole.

As I discuss the causes for concern, it is important to keep in mind SAI's revenue mix. SAI's financial information helps us uncover potential problems, and one may even consider the organization's revenue mix as a cause for concern in of itself. In Table 1 below, we find that Program Service Revenue as a percent of total Revenues dramatically increased from the year 2003 to 2005, while Government contributions drastically decreased. Although SAI does not perform audits as mentioned earlier, it does derive income from accreditation and course fees as well as the corporate programs mentioned above. With almost 60% of income derived from revenue, we might expect SAI to be sensitive to pressure from the stakeholders that contribute to that 60%. To put these percentages into perspective, the revenues for 2003 were about 1.9 million, and for 2005 about 2.3 million.

	2003	2005
Direct Public Support	20	25
Government Contributions	38	10
Program Service Revenue*	30	59
Other (Misc. Income, Royalties)	3	5

*Includes Accreditation Fees, Course Fees, Conference Fees, Corporate Fees, Sale of Publication

With this information in mind, let's move onto the specific causes for concern. Although there are more issues that need to be taken into account, I specifically mention issues regarding

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the SA8000 Accreditation Process, the SAI Corporate Program, as well the SAI Board and Advisory Board.

A. Cause for Concern #1: SA8000 Accreditation

The first cause of concern focuses on the SA8000 Accreditation process of Third-Party Certification Bodies (CBs). As mentioned earlier, external audits of an external standard (as is the case with the SA8000) seems seem like a winning combination, but there are some problems that persist. In this case study, I have focused on two troubling aspects of the CB accreditation process, namely the cost of accreditation and the training of CBs.

The first issue within SA8000 accreditation area is the cost of accreditation. It can be quite expensive for CBs to receive and maintain certification, as can be seen in Appendix IV, where the steps of accreditation are also included. But the cost is not so much an issue because it is too expensive for the CBs (although this might indeed be true). Rather, accreditation fees constitute a large part of SAI's revenue mix (included in the Program Revenue portion in Table 1). SAI therefore has a powerful incentive to accredit CBs, or in other words declare "false positives," i.e. over-accredit. SAI concerns with auditor quality may work to correct this problem, but we should still be aware of this potential issue. Also, the income derived from further trainings to maintain the accreditation and the charging of a royalty fee might distort SAI's motives in the same direction.

Another issue lies in accreditation training. SAI requires auditors to attend a five-day training course to be able to apply for accreditation. The five-day course is not only marketed to management system auditors or those with prior audit experience, but to students from a wide range of backgrounds and interests; SAI states that about half of the participants come from

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sectors such as consulting, compliance, NGOs, labor, government, and academia. But is a five-day course enough of a kick-start for someone to monitor working conditions effectively? SAI also offers a three-day Advanced Auditor Training Courses. Again is three days enough to become an advanced auditor of the SA8000 standard?

This issue is also discussed by Locke, who states: “if audits are...contracted out to “third party” organizations, be they NGOs or private auditing companies, how competent are the NGOs in assessing certain technical issues (e.g. air quality)...” This is confirmed by Dara O’Rourke, who in his article⁸ discusses the ignorance of auditors employed by the industry leader in auditing, PricewaterhouseCoopers (PwC) to illustrate the shortcomings of the third-party auditing set-up. PwC’s auditors overlooked major violations of local labor laws and codes of conduct in several audits O’Rourke attended personally, and not only those involving technical issues. Monitoring may therefore be very uneven in quality and effectiveness, which is compounded by potentially poor training.

The concern is therefore that the SA8000 auditors may not be competent. However, SAI as the standard setter and the CB accreditor has incentives to ensure good quality of auditing to uphold the reputation of the standard (and thus SAI’s source of income). Keeping auditing quality high is important to the reputation of the standard and its efficacy, but at the same time there are few incentives for SAI, the CBs, or certified companies to blow the whistle on infractions. SAI claims to perform semi-annual accreditation audits of CBs training, procedures, and audit management. I was not able to find information on what these audits contain, or if CBs have been stripped of their accreditation. I did however notice that some of the CBs are rather

⁸ See <http://nature.berkeley.edu/orourke/PDF/pwc.pdf>

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well-known bodies, which helps in reputation-building and maintaining (UL, Bureau Veritas, etc). Despite this, the training may not be sufficient to uphold audit quality.

B. Cause for Concern #2: SAI Corporate Programs

SAI offers three progressive levels of corporate participation in its SAI Corporate Program: Introductory, Explorer and Signatory. According to SAI, its Corporate Programs are designed to “provide companies with the tools and knowledge to develop and implement credible CSR policies and procedures...and help companies to extend the principles and management systems approach unique to SA8000 throughout their supply chains. We help companies integrate social compliance into their supplier development and supply chain management.” Please refer to Appendix III for stated services and benefits pertaining to the different program levels.

Despite this indication that the Corporate Program is designed to help companies implement the SA8000 to a greater extent, the Corporate Program also serves a membership program with significant revenue-raising potential for SAI. See Table 2 below for the breakdown of levels and costs of membership.

Table 2: SAI Corporate Programs		
Level	Organization's Annual Revenue	Fee
INTRODUCTORY	Flat Fee	\$3,000
EXPLORER	\$0-\$100 million;	\$5,000
	to \$1 billion;	\$9,500
	to \$10 billion;	\$25,000
	greater than \$10 billion	\$37,000
SIGNATORY	\$0-\$100 million;	\$12,000
	to \$1 billion;	\$22,000
	to \$10 billion;	\$60,000
	greater than \$10 billion	\$77,000

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Although this is a great revenue-generating program for SAI that will help it to become self-sufficient, some unintended conflicts of interest follow. Companies might pressure SAI to receive certification more easily, to not disclose potential complaints or violations of the SA8000, or to change the SA8000 standard itself. The issue is therefore not that the corporate program is expensive for the companies in question, but rather SAI's dependence on the funds generated through the program (which is part of Program Revenue, as explained in Table 1). The threat of withdrawn support, either directly stated or implicitly implied, is powerful. As stated earlier, SAI does not perform certification and audits themselves, and this alleviates the problem somewhat. But SAI might still put pressure on the CBs to be more lenient on the members that are financially important to the organization. Since the CBs are already inclined to approve certification and recertification because they get paid when they do, CBs may be more likely to cave to pressure from SAI.

Corporate pressure may be further exacerbated by the fact that SAI leaves much of the SA8000 auditing policy setting to the CBs (although SAI does issue some guidelines and advisories). CBs may therefore set or modify the auditing standards and rigor to suit their larger corporate customers. Although I will not discuss the issue of CBs setting their own audit policy further, I encourage additional study on this point because it potentially has very significant implications on audit quality and credibility.

In short, since there are no clear incentives for anyone to act as a fire-alarm, collusion between monitor and monitoree—between certified companies and SAI, SAI and CBs, and CBs and certified companies—is therefore hard to prevent.

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C. Cause for Concern #3: SAI Board and Advisory Board

The issues that surface with the above-mentioned Corporate Program are compounded due to the fact that many of the larger companies that are consumers of the SA8000 certification and part of the Corporate Program also sit on the SAI Board or Advisory Board. Here again, the companies may have a lot of leverage over SAI.

In addition, the Advisory Board was not only responsible for setting the SA8000 standard as mentioned earlier, but is also responsible for reviewing the SA8000 and the agency's CB accreditation procedures. Although this seems good in principle, a lot of abuses might arise. I found 20 complaints that have arisen in the last seven years, whereof some were directed at CBs and some resulted in SA8000 decertification. Although this is a good sign in general that gives more credibility to SAI and the SA8000 process, delving a little deeper allowed me to find clear indications of the potential problem of having certified companies on the Board or Advisory Board. I found that 6 or 7 cases out of those 20 are still pending (with one going all the way back to 2005). Only two certifications of companies have been withdrawn in seven years, according to the website; one in 2000, and the other in 2005. The most interesting finding, however, is that the two complaints that name Dole and Chiquita (both on the SAI Advisory Board) as the subjects of complaint, are the only complaint instances without links to the complaint history.⁹ In addition, both cases are still pending as of December 2007. This is an interesting finding, and although we cannot be sure why the complaint history is not displayed for these two companies, it might be an indication of a deeper problem. Perhaps there are additional Board or Advisory Board member companies that really should be on the complaints list but are not because SAI

⁹ <http://www.saasaccreditation.org/complaintlist.htm>

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has an incentive to succumb to pressures from companies that sit on the Board or Advisory Board (and which in addition put a lot of money into certification and belong to the Corporate Program).

Not only are some of the companies on the Board or the Advisory Board, but also some of the CBs, such as Bureau Veritas Certification. Although this may help with some aspect of improving the SA8000, it does present problems, especially considering the problems already mentioned in the accreditation section. The CBs do pay the accreditation fees upfront, but they are also required to pay royalties and they need to get further education in the SA8000 system. SAI would also probably not be willing to lose the funding and the reputation advantages that respected CBs such as UL and Bureau Veritas bring with them, and therefore SAI has an interest to comply with pressures from their side. For a list of Board and Advisory Board Members, see Appendix V.

VII. An Illustration: Dole Food Company

To make some of the issues I have discussed in this case study more tangible, I will discuss the case of the US-based Dole Food Company. Dole is one of the world's largest producers and marketers of fresh fruit, vegetables, and fresh-cut flowers and operates in more than 90 countries and employs around 60,000 people. In June 2000, Pascual Hermanos, Dole's majority-owned subsidiary in southern Spain, became the first agricultural operation in the world to obtain SA8000 certification.

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A Human Rights Watch Report uncovers potential issues of Dole in particular and its relationship with SAI and the SA8000 standard.¹⁰ Dole is an SAI Corporate Program Signatory Member, and based on the previous discussion of the Corporate Program we might expect certain problems. In addition, the report highlights another cause for concern. The report states that when Dole applied for Signatory membership, it was required to submit a statement formally adopting SA8000 as the code of conduct for all its directly-owned and supplier banana plantations. But as the Human Rights Watch report emphasizes, under the conditions of Signatory membership, Dole is only required to bring its directly-owned and supplier facilities into compliance with SA8000 terms within an unspecified “reasonable time period.”

Although we might expect that Dole needs time to bring especially its supplier facilities into compliance, the “reasonable time period” standard is an issue as it leaves room for continued poor working conditions. This is indeed what Human Rights Watch notes as it has discovered “continuing widespread human rights abuses” on Dole’s supplier plantations in Ecuador. But, according to the report, since Dole has been a Signatory Member of SA8000 since November 1999 those abuses do not amount to violations of Dole’s SA8000 Signatory membership terms. Dole as a Signatory Member can then reap benefits in that it can publicize affiliation with “a global humane workplace standard,” but need only ensure compliance within an unspecified reasonable time period. These statements point to several weaknesses with the SAI set-up.

In addition, although Dole has been part of the SAI for over eight years, it unclear exactly what percentage of suppliers and its directly-owned operations are SA8000 certified. I found an article from 2005 that states Dole has approximately 18,000 employees in its banana and

¹⁰ http://www.ausncp.gov.au/content/docs/146_151_20020901_pier.pdf

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pineapple operations covered by SA8000 certifications, or approximately 73% of that workforce.¹¹ In 2007, a Dole press release stated that the SA8000 covered 40,000 of its seasonal and temporary employees in its banana and pineapple operations¹². The two numbers don't exactly add up, because 100% certification in 2005 would be considerably less (25,000) than the 40,000 reported in the 2007 report. The increase is probably partly due to a growth in the number of employees, but also that the 2007 figure includes seasonal and temporary workers. From the wording in these articles, it seems like these employees work on directly-owned plantations. But what about employees that do not work on the pineapple and banana plantations (i.e. those that work with other products)? And what about certification for Dole's supplier employees? We can therefore conclude that it is difficult to exactly estimate what the percentage of workers connected to Dole's worldwide operations is in fact covered by the SA8000 standard. The global supply chain for Dole, as for other large companies, gets quite complicated.

This brings up another point; that of Dole's responsibility to get its suppliers to adhere to the SA8000. Human Rights Watch believes that Dole as an SA8000 signatory member, should have informed its supplier facilities that they were going to adopt the SA8000 code of conduct; have established a plan and schedule for them to achieve SA8000 certification; and, through assessments and audits, work directly with them to achieve compliance. However, the complexity of large companies and how difficult it is to align the supply chain is evidenced in the case of Dole's Ecuadorian subsidiary. It denies any responsibility for labor rights conditions on Dole's independent supplier plantations. When Human Rights Watch questioned a representative of Dole's Ecuadorian subsidiary about Dole's labor rights policies on third-party supplier plantations, he responded:

¹¹ http://findarticles.com/p/articles/mi_m0EIN/is_2005_March_2/ai_n11838504

¹² <http://www.dole.com/CompanyInfo/PressRelease/PressReleaseDetail.jsp?ID=1538>

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We do not have jurisdiction over that . . . It is their discretion. . . . [W]e do not intervene in that. Absolutely not. It's their business. . . . We do not have that responsibility. Nothing to do there. Our contract is limited to quality and technical assistance.

In addition, although Dole states that it “audits its suppliers in a number of areas, including labor rights,” the company told Human Rights Watch that it will “not comment on monitoring or inspections of a specific producer or plantation.” Similarly, when Human Rights Watch wrote to Dole to confirm the company’s contractual relationships with certain plantations on which children labored and adults were often too afraid to organize, Dole responded that that information is “proprietary business information, which Dole does not publicly disclose.” We thus see that problems of exactly which workers should be covered by the SA8000 in the global supply chain are quite complicated.

One additional illustration lies in the PR benefit to Dole of SA8000 certification. Dole derives PR benefit every time it certifies another plantation or factory, and might thus have an incentive to spread out certifications to maximize exposure. On November 3, 2006, for example, Dole gave out a Press Release that its fruit processing factory in Hua Hin, Thailand had been SA8000 certified, and could claim that it is the first food company to receive SA8000 certification in Thailand.¹³ Spacing the next certification too close with the public announcement may then not give the maximum PR benefit possible. To see more press releases and to learn more about Dole’s social responsibility efforts, please visit their website.¹⁴

Another issue for Dole lies in the cost of certification. The cost of SA8000 may be significant in Dole’s case. Dole has a significant number of directly-owned plantations, as alluded to above, so Dole cannot use its buyer power to transfer costs to suppliers. Since Dole

¹³ <http://www.csrwire.com/News/6739.htm>

¹⁴ http://dole.com/CompanyInfo/Responsibility/Responsibility_Index.jsp

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does not only adhere to the SA8000, the cost may be significant if implementation of these and other standards do not result in productivity increases and/or cost savings. Dole, for example, proclaims that in addition to the SA8000 it adheres to ISO 9001, ISO 14001, EurepGAP, Organic Certifications, and Fair Trade. As these organizations are fee-based, costs of compliance with several different standards may be great. Who ultimately pays for Dole's CSR efforts? In this case, the consumer may have to pay a CSR premium. If they are unwilling to do so, Dole needs to bear this cost and face the potential consequences.

VIII. New Development: The Creation of Social Accountability Accreditation Services

Earlier this year (2007), Social Accountability Accreditation Services (SAAS) was formed as an independent organization separate from SAI, with a different Board of Directors. This means SAI will no longer be responsible for the accreditation of CBs. It appears that SAI will still be in charge CB training. Although it is not clear why SAI decided to separate the accreditation services from the rest of its services, perhaps it was because SAI itself noted the problems I have discussed throughout my case study. Removing accreditation one step away from the organization may be the answer to some of the problems, but more information on the relationship between SAI and SAAS needs to be gathered and observed to determine this. The relationship between SAI and SAAS (e.g. does SAI get some form of remuneration from SAAS?) and how this relationship affects SAI's motivations and incentives may be good topics for further research.

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IX. Conclusion

Although this case study is by no means comprehensive, it has highlighted several causes for concern in the SAI and the SA8000 realm. Although SAI seems to be a credible organization in general, there are several potential conflicts of interest and causes for concern. I specifically mentioned some issues in the SA8000 Accreditation Process, the SAI Corporate Program, as well the SAI Board and Advisory Board. I also used Dole as an illustration of some of these issues.

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X. Discussion Questions

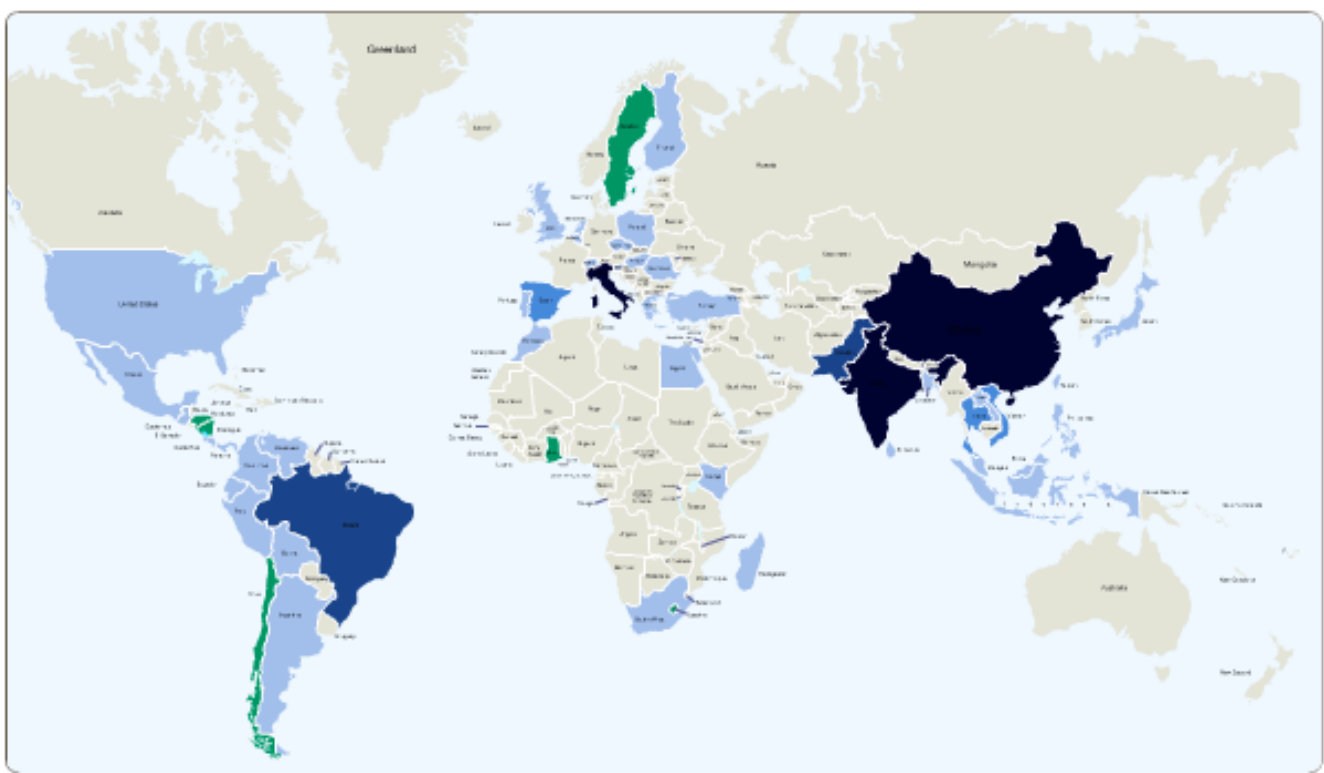
1. Do you think the stated benefits of SA8000 publication put forth by SAI (found in Appendix I) are valid? In addition to the benefits mentioned in the case study, what are the most important SA8000 benefits? Do you think they outweigh the costs of certification (i.e. the direct and the indirect costs of the certification process)? In what instances might they not? Consider especially the benefits and costs of large retailers versus their suppliers.
2. What are the benefits and/or problems with having private interests help set the SA8000 standards? Do the conflict of interest problems outweigh the benefits?
3. In turn, what are the benefits and/or problems with having private interests—and especially large retailers—on the Board or the Advisory Board? Again, do the conflict of interest issues outweigh the benefits in this case?
4. In Thailand, the SA8000 requirement on working hours is more stringent than the legal requirement. Consider the argument for and against adopting the SA8000; which side has the strongest arguments? Should the SA8000 be modified in those countries to follow the legal requirements?
5. Is it clear that adopting the SA8000 affords competitive advantage? If not, why would a factory choose to assume the extra cost of certification (even if it brings benefits with it as explained in the case study)? Does the opportunity for competitive advantage depend on the industry, the competitive power of the factory in question, or some other factors?
6. Do you agree with the representative for Dole's Ecuadorian subsidiary, that Dole should not interfere with labor rights conditions in its independent supplier plantations? Why or why not?
7. Do you agree with the Human Rights Watch argument that Dole as an SA8000 signatory member should have informed its supplier facilities that they are to adopt the SA8000 code of conduct; have established a plan and schedule for them to achieve SA8000 certification; and work directly with them to achieve compliance through assessments and audits? If yes, how should they work with their suppliers throughout this process?
8. In your opinion, does the creation of Social Accountability Accreditation Services (SAAS) solve some of causes for concern covered in the case study, especially those related to SA8000 accreditation? Why or why not?
9. Compare SA8000 with ISO 9000. Which standard is more credible and why? Which standards would small factories likely to adopt? What about large ones? What are the benefits of having multiple certifications?

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XI. Appendix

APPENDIX I

SA8000 AROUND THE WORLD: CERTIFIED FACILITIES



map by Hand Eye Design

Use the small map to focus on a region.
Drag the map by grabbing water zones.

- SA8000 Certified Facilities (968 worldwide)**
- 1-10
 - 10-50
 - 50-100
 - 100 +
 - SAI outreach

Click on a country to see details.

Source: http://ce35.citysoft.com/_data/global/includes/worldmap.htm

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APPENDIX II

SAI STATED BENEFITS OF SA8000 CERTIFICATION

Benefits of SA8000

Along with humane workplaces, the implementation of SA8000 offers more benefits to workers, companies and others:

Benefits for Workers, Trade Unions and NGOs:

- Enhanced opportunities to organize trade unions and bargain collectively.
- A tool to educate workers about core labor rights.
- An opportunity to work directly with business on labor rights issues.
- A way to generate public awareness of companies committed to assuring humane working conditions.

Benefits for Business:

- Drives company values into action.
- Enhances company and brand reputation.
- Improves employee recruitment, retention and productivity.
- Supports better supply chain management and performance.

Benefits for Consumers and Investors:

- Clear and credible assurance for ethical purchasing decisions.
- Identification of ethically made products and companies committed to ethical sourcing.
- Broad coverage of product categories and production geography.

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APPENDIX III

CORPORATE PROGRAM STATED SERVICES AND BENEFITS

INTRODUCTORY LEVEL

SAI Handbook “How to Implement a Responsible Supply Chain”

This new Handbook provides practical guidance on the establishment and management of responsible supply chains for any industry. True to SAI’s multi-stakeholder approach, the Handbook features the perspective of suppliers, trade unions and non-governmental organizations (NGOs). It includes step-by-step advice for compliance officers on:

- Building the Business Case – Internally and Externally (with your suppliers and customers),
- Managing Your Supply Chain,
- Creating Your CSR Plan,
- Navigating Industry Codes, Corporate Codes and the Audit Process.

The Handbook features management system examples, case studies, best practices, resource guides and comparisons of SA8000 to industry and corporate codes. Publication date January 2008.

SA8000 Certified Supplier Database

Designed to make it faster for buyers to find socially-compliant factories, the SAI Supplier Database features key business information on SA8000 certified suppliers, including: information on products, capacity, plant and equipment, quality control and certifications. It can be used to quickly find SA8000 certified suppliers to replace existing non-compliant suppliers, to add capacity or to source new products. SAI companies are given blinded access, allowing suppliers to respond to inquiries from interested potential buyers or authorize SAI to release the complete contact information. Expected launch first quarter 2008.

Online Corporate Self-Assessment Tool

A companion to the Handbook, the SAI Corporate Self-Assessment Tool is a first-step in gauging your corporation’s level of social responsibility in managing your supply chain and identifying the types of systems, the policies and the key documents in use by CSR leaders. The SAI Corporate Assessment Tool is an abbreviated version of the full SAI Corporate Headquarters Review Instrument.

EXPLORER LEVEL

All Introductory Level Services, plus;

Executive Overview Training*

One-day training module at the company’s site, with the topic selected from SAI’s Professional Development Training series on socially responsible supply chain management. The training is

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ideal for managers and employees from compliance, as well as production, product development, design, sourcing and marketing departments.

Invitation to participate in SAI Special Projects

SAI frequently partners in research studies, training programs, technical assistance and multi-stakeholder collaborations funded by governments and foundations. Explorers are notified of special projects related to their industry and given the opportunity to participate. Examples of current projects include a study with Harvard University on the impact of social labeling on consumer preference, and training programs in Asia and Latin America aimed at improving producer competitiveness through better social performance.

Review & Analysis of Corporate Self-Assessment Tool

SAI management will review the company's completed SAI Corporate Self-Assessment Tool for supply chain management and provide valuable insight and comparisons to best practices in the field. Areas of review include management systems, supplier development, auditing, verification, transparency and multi-stakeholder participation.

Additional Reporting Services

If desired, SAI provides technical assistance to our Explorer members to meet the labor component of their CSR reporting requirements. One option is for SAI to assist United Nations Global Compact members in generating the required human rights and labor components of their annual Communication on Progress report.

20% Discount on Training and Publications

Receive a discount on all SAI training including Basic Auditor Training, Supply Chain Management Training and our Professional Development Training courses.

SIGNATORY LEVEL

All Introductory and Explorer Level Services, plus;

Corporate Assessment Program

SAI's Corporate Assessment Program provides a confidential in-depth review of a company's compliance management system throughout their supply chain. Areas of review include management systems, supplier development, auditing, verification, transparency and multi-stakeholder participation.

The Program includes the following:

- Use of SAI's complete Corporate Headquarters Review Instrument to help a company's compliance staff organize and evaluate its existing CSR practices and documentation.
- Headquarters visit by SAI executive team for 2-3 days to conduct interviews with all relevant personnel from the CEO to key staff in the compliance, purchasing, and other relevant departments.
- Field reviews by expert SAI evaluators to witness audits of selected suppliers by company monitors or second party auditors.
- Confidential review of SAI's findings and recommendations by a blue-ribbon multi-stakeholder

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panel featuring business, trade unions and NGO representatives.

- Transparency review of a company's reporting procedures and practices, and external communications by an independent specialist.
- Final Corporate Assessment report featuring analysis of headquarters assessment, evaluation of existing CSR programs and recommendations for improvement. Recommendations are based on best practices, incorporating multi-stakeholder panel and transparency review recommendations.

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APPENDIX IV

SA8000 STEPS AND COST OF ACCREDITATION

SA8000 Steps for Accreditation

Contact SAI to purchase application package, by visiting the SAI document purchase center on the website, emailing order@sa-intl.org or by calling +1-212-684-1414. The following documents are included in the application package:

- SA8000 Standard
- SA8000 Guidance Document
- Criteria for Accreditation
- Application Form
- Procedures for Accreditation
- Rules on Use of the Mark
- Complaint and Appeals Guideline
- Sample Accreditation Certificate
- Agreement between SAI and Certification Body
- SAI Fee Schedule

When an organization is ready to proceed with the application:

1. Applicant sends documents and fee to SAI in New York.
2. SAI accreditation staff reviews the application package for completeness.
3. After all information is received, SAI contacts auditor to schedule the desk review.
4. SAI notifies applicant of auditor selection and requests approval.
5. SAI auditor conducts desk review and sends report of findings to the applicant; auditor may request revisions or additions to documentation.
6. When desk review is finalized, office and witness audits are scheduled.
7. Two auditors conduct both the office and witness audits, approximately two days on each visit, depending on the size of the facility.
8. Once all CARs if any are closed, audit reports are sent to the Accreditation Review Panel.
9. The Accreditation Review Panel submits recommendation to SAI President.
10. SAI President informs applicant of accreditation decision.

Please note, applicants cannot issue SA8000 certificates until accreditation is granted and an accreditation agreement is signed by both parties.

Fees for Accreditation

Application Fee—payable upon submission of application for accreditation by organizations with:

- 50 or fewer employees \$ 2,500
- 51-250 employees \$ 7,500
- 251 or more employees \$15,000

Auditor day rate - \$1,400

- Desk review – 1 auditor, approx 2-3 days
- Office audit – 2 auditors, approx 2 days
- Witness audit - 2 auditors, approx 2 days
- Travel expenses - airfare, hotel, etc

(Audit days are approximate, depending on the size of the facility)

http://www.sa-intl.org/_data/n_0001/resources/live/SA8000_Steps_for_Accreditation_Brief_Description.pdf

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APPENDIX V

BOARD AND ADVISORY BOARD MEMBERS

BOARD MEMBERS

<http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=593&parentID=490&grandparentID=4&nodeID=1>

Steve Newman (Chair)
Vice-President for Finance Chief Operating Officer
Medical & Health Research Association

Riccardo Bagni
Vice Chairman
Coop Italia Societa Cooperativa

Celina Borges
Torrealba Carpi
President and Shareholder
Grupo Libra

Dana Chasin
Senior Advisor, Federal Fiscal Policy
OMB Watch

Tom DeLuca
Vice President, Product Development & Safety Assurance
Toys R Us

Jan Furstenborg
Head of Department - UNI Commerce
Union Network International

Alice Tepper Marlin
President
Social Accountability International

Nicholas Milowski
Manager
KPMG LLP

Jeff Samuels
Partner
Paul, Weiss, Rifkind, Wharton & Garrison

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Responsibilities of the SAI Board of Directors. The SAI Board of Directors shall consist of at least three persons, with responsibilities and membership as defined in the by-laws of the Corporation. It will evaluate the performance of SAI and its management and provide feedback on this to SAI. This evaluation will include activities and operations for the last year and future work-plans and policies as presented to it by the management of SAI.

There are two committees of the Board of Directors: Finance and Compensation.

ADVISORY BOARD

<http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=494&parentID=490&grandparentID=490&nodeID=1>

Affiliated with Non-Governmental Organizations, Trade Unions, Socially Responsible Investing and Government*:	
Dorianne Beyer/David Zwiebel (alternate)	National Child Labor Committee (USA)
Jeroen Douglas	Solidaridad (Netherlands)
Pietro Foschi/Francis Boigelot (alternate)	Bureau Veritas Certification - formerly BVQI (UK)
Jan Furstenborg	Union Network International (Switzerland)
Oden Grajew/Helio Mattar (alternate)	Ethos Institute of Business & Social Responsibility (Brazil)
Joseph Iarocci /Linda Cronin	CARE International (USA)
Alice Tepper Marlin	Social Accountability International (USA)
Frits Nagel	Dutch Consultant for Corporate Social Accountability (The Netherlands)
Alan Spaulding	United Food and Commercial Workers International Union (USA)
The Honorable William Thompson/Ken Sylvester (alternate)	Office of the Comptroller, City of New York (USA)
Morton Winston	The College of New Jersey (USA)
Affiliated with Business*:	
Giorgio Bertinelli/Marisa Parmigiani (alternate)	Legacoop Nazionale (Italy)
Celina Borges Torrealba Carpi	Grupo Libra (Brazil)
Kishor Chaukar /Anant G. Nadkarni (alternate)	Tata Industries Limited (India)

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Sylvain Cuperlier	Dole Food Company (USA)
Tom DeLuca (Chair)	Toys “R” Us (USA)
Durai Duraiswamy/Robin Cornelius (alternate)	Prem Durai Exports (India) and Switcher SA (Switzerland)
Amy Hall	Eileen Fisher (USA)
Dan Henkle/Chuck Goncalves (alternate)	Gap Inc. (USA)
Achim Lohrie	Tchibo (Germany)
Geoffrey Martin-Henry	TNT Express (Netherlands)
David McLaughlin/George Jaksch (alternate)	Chiquita Brands International (USA)
Dr. Johannes Merck/Gerd Billen (alternate)	OTTO GmbH & Co KG (Germany)
Nicholas Milowski **	KPMG LLP (USA)
Steven Newman **	Medical and Health Research Association (USA)
Jeff Samuels **	Paul, Weiss, Rifkind, Wharton & Garrison (USA)

In 1996, SAI convened an international, multi-stakeholder Advisory Board to develop Social Accountability 8000 (SA8000), a voluntary standard for workplaces based on ILO (International Labour Organization) and other human rights conventions. Its independent verification method uses key elements from the widely accepted quality management system certification in the International Organization for Standardization (ISO) programs.

The SAI Advisory Board includes experts from trade unions, businesses and NGOs. Board members represent a broad range of expertise in human rights, child and labor rights; socially responsible investing; auditing; and supply chain management.

Reaching consensus among board members is a continuing challenge. However, this diversity adds to the strength of SA8000, making its requirements comprehensive and its language clear and auditable.

SA8000 Advisory Board Members. SAI’s policy is to balance its Advisory Board members equally between business and non-business (non-governmental organizations, trade unions, socially responsible investors and government) members. SAI also seeks to have an international representation on the Advisory Board.

Advisory Board Roles and Responsibilities. The SA8000 Advisory Board provides direction and advice regarding the operation of and policy matters relating to the functioning of SAI. Through the Board, SAI seeks to ensure that its policy is fair to affected parties from all sectors of society and does not make unreasonable demands on any party. The Board is responsible for reviewing:

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1. The SAI Social Accountability Standard, SA8000.
2. The Agency's accreditation procedures.
3. Any challenges to determinations of SAI regarding accreditation of certification bodies. The SAI Advisory Board advises the President of SAI.

The Advisory Board has no responsibilities for the day-to-day operations of SAI. The board and its members have none of the legal obligations or liabilities that attach to a Board of Directors.

The President of SAI will appoint the Chair of the Advisory Board. A Vice-Chair, nominated by the Chair and elected by the full Board, will chair meetings in the absence of the Chair. The remaining members will be proposed by SAI staff or current Advisory Board members and elected by a majority vote of current members—one representative affiliated with each organization shall vote—to represent a cross-section of industry, auditors, consultants, human rights groups, unions, vendors, and NGOs. The Advisory Board shall have up to 25 members.

The board has a number of committees: Accreditation Review Panel (ARP), and Executive, Nominating, and Guidance Document Review panels. In addition, there are several ad hoc committees.

The ARP is chaired by the SAI Executive Director.

Advisory Board Member Responsibilities. Members are appointed for their experience and knowledge of particular sectors to ensure that the interests of the sectors are represented. Members may also be experts in a particular discipline, and provide impartial expert advice. SAI Advisory Board members are appointed in their own right to maintain the balance of interests on the Board, but do not represent any particular organization.

The Advisory Board may request supporting outside expertise to assist its decisions when there is not sufficient expertise available within its membership. The credentials of any such outside authority, as well as any opinions, advice, recommendations, or observations provided to the Board by this authority, will be documented.

There may be an occasion when an accreditation applicant wishes to seek advice from the SAI staff, but feels that an inquiry might adversely influence the outcome of his or her accreditation assessment. In such cases, one member of the SAI Advisory Board may be sought by the Vice-Chair to act as a confidential intermediary between the advice seeker and SAI.

A three-person Accreditation Review Panel will review accreditation audits, with two members drawn from the SAI Advisory Board [excluding certification bodies], which will recommend a decision to the SAI President.

Annual Meeting. The SAI Advisory Board holds an Annual Meeting to conduct a review of SA8000 and the continuing suitability and effectiveness of SAI policies and procedures in meeting the requirements of ISO Guideline 61 and the SAI Quality Policy. The Advisory Board meets three times a year.