

## **SA8000: Tool to Improve Quality of Life**

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### **ABSTRACT**

*This case study aims to present how SA 8000 was successfully implemented in Thailand. At present, Beauty Essential Co., Ltd. is one of few companies in Thailand who obtained this certificate. As an exporter, the company found that international customers give an increasing pressure to the producers to demonstrate their commitment to basic human values in the workplace. The president of Beauty Essential views the standard as a way to strengthen and differentiate Thai companies from other cheap labour countries as well as a tool to improve quality of employees' lives. However, according to Thai law, working up to 84 hours a week is allowed. In order to comply with SA 8000 practice, Beauty Essential has to cut down the overtime by 28.57 percent. The challenging question is how to do it. On one hand, working conditions has to be improved in order to achieve higher productivity rate and at the same time the employees will work less hours and less tiredness.*

**Keywords: SA 8000, garment industry, overtime, productivity, Thailand**

### **1.0 Introduction**

Business boundaries have changed. Customers are changing their ways of consuming: from mass consumerism attitude in the 1960s, they evolved in the late 1970s by requiring that purchased products comply to the stated quality, in the 1980s by asking for environmental friendly products and in the late 1990s by demanding that producers become socially responsible. It is the era of ethical consumer. [Punter and Gangneux, 1998] The notion of 'social accountability' is not a new concept. International organisations, trade unions, human rights, lobbyists, and regulators have long strove to eliminate the inequities of the workplace. Child labour and prison/ forced labour continue to be pivotal issues in many areas of the world. Illegal labour and discriminatory practices are still usual, even in the 'developed world' [Curado and Santos, 1999].

Several initiatives have been developed to tackle the issue of ethical business behaviour, among the most relevant are:

- Ethical Trading Initiative (ETI) (UK);
- The Apparel Industry Partnership's Code of Conduct (US);
- Principles for Corporate Global Responsibility (UK, Canada, and US);
- The International Code of Ethics for Canadian Business;
- Corporate Code of Responsibility for Transnational Companies (New Zealand);
- OECD Guidelines for Multinational Enterprises;
- Social Accountability 8000.

These principles could be considered as code of conduct between countries or within industry. Among these principles, SA 8000 is quite widely spread as the first international measurable benchmark applying to workplace practices. Similarly to ISO 9000 and ISO 14000, SA 8000 is formulated to allow a third-party certification body to audit and certify. The principle of SA 8000 tends to create a supply chain effect, not only being applied internally, but also being used as a tool to manage suppliers.

This paper aims to explain the significant role of SA 8000 for exporting country and use a success SA 8000 implementation case study in Thailand to explain the role of SA 8000 as a tool to improve employees' quality of life.

## **2.0 Various Dimensions of SA 8000**

SA 8000 is a product of the New York-based Council on Economic Priorities Accreditation Agency (CEPPA). The development of SA 8000 was not a governmental or sectorial scheme, and not to be dominated by any specific groups. The goal is to publish an auditable international standard for socially responsible business. This standard aims to be applied to the organisations worldwide, irrespective of the organisations size, ownership, or

whether it is profit or non-profit. Under SA 8000 guidelines, workplace conditions must conform to the following regulations [CEPAA, 1997]:

- Employers must not hire children under the age of 15 years;
- Employers cannot force workers to work against their will;
- Employers must take protective measures to guarantee workers' health and safety;
- Workers must have the freedom to bargain with employers (create and become members of trade union of their choice);
- Racial and other discrimination is forbidden;
- Employers must not use or support the use of disciplinary practices;
- Employees must be paid at least the minimum wage;
- The working time must be limited to 48 hours per week and overtime at 12 hours per week;
- The management system should be standardized.

In theory, SA 8000 certification provides assurance that the goods or services have been produced and delivered in accordance with a commonly accepted and socially acceptable set of values. Since this standard is perceived as an image and reputation of the product, the organisations may consider the benefit in terms of improved public perception of their activities. In order to achieve this standard, the importers may put the pressure on their suppliers by selecting only the suppliers who can afford the standard. Therefore, the number of suppliers will be reduced. In other words, the small suppliers will be squeezed out. Hancock [1998] also commented that

“For all companies, implementing ethical trading is going to pose a big problem, but for smaller companies that don't have the money and buying

power of the large multinationals will be especially expensive and time consuming. But can companies afford not to trade ethically?"

Moreover, the issue of assessment, repatriation, global diversity, and universality of SA 8000 are highly debated because there is no universal culture. Although the persons behind the SA 8000 certification scheme expect that the benefits represent cost savings in the long run, various costs are outstanding as soon as the implementation project starts, including cost of management time, cost of external consultant and training services, cost of remedial action, cost of third-party certification audits and regular monitoring/surveillance audits, and cost of personnel involved. Consequently, many small and medium enterprises (SMEs), which takes part more than 80 per cent of overall industries in developing countries, may face difficulties in achieving this standard.

However, another perspective can be seen from this standard also. Anecdotal evidence suggested a correlation between labour standards and productivity. Thaler-Carter [1999] suggested the new approach to view SA 8000 instead of labour issue that SA 8000 should be treated as a productivity issue. When your workers are better trained, you have healthier company and can retain employees more easily. Having healthier company means investing in your workers, and it makes sense to invest in workers because you tend to get it back in greater productivity and higher morale. Along with this approach, Hancock [1998] also stated Huge Venables's research at Bangladesh garment factories by the Charity Action Aid that more socially responsible factories do better. A factory in a developing country that made a major change to be socially responsible lowered its product rejection rate down from 13 per cent to 0.5 per cent.

Although the debate on SA 8000 still going on, exporting countries cannot stay still and wait to see what will happen. As stated above, SA 8000 may be questioned as a 'new trade barrier' for developing countries. SA 8000 will become an unavoidable standard and it provides the first measurable baseline for ensuring working practices. The developing countries, then, have to view the bright side of this standard in terms of improving productivity which leads to cost saving and improving working conditions and well-being of workers.

### **3.0 SA 8000: A Challenging Issue in Thailand**

After Avon's manufacturing facility in Suffern, NY was SA 8000 first certified by SGS in 1998, the growing concern about their image and the tendency not to buy from the poor human rights enforcement countries has been widely spread. Thailand, a country who supplies products worldwide, is confronted with a challenge. SA 8000 will soon play an important role as another 'requirement' set by importing countries. On the other hand, this new standard can ensure the safe and desirable working environments to Thai workers.

From the statistical evidence shows half of all young Thais aged 13 to 24 have entered the workforce and work more than 40 hours per week. 84 per cent work six days a week and receive no overtime wages. In case of child labour, around 40 per cent are in textile industry and 23.4 per cent are in metal industry<sup>1</sup> [Anonymous, 1998]. This statistics could be used to view source of labour, which is one of the major social infrastructures in manufacturing organisations. This also presents the first obstacle in exporting goods to the countries where SA 8000 has been implemented. Hence, if SA 8000 standard is fully

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<sup>1</sup> This is a section from a National Symposium entitled "Children Strategic Investment for Thailand's Future", which held in January, 1998 and organized by Mahidol University's Institute of Nutrition (INMU) and the National Health Foundation with support from the Toyota Thailand Foundation.

enforced internationally, Thailand will face much more difficulties regardless other quality and environmental standards. It could be seen as one of the most critical issues for the labour intensive industries such as garment industry, and food canning and processing industry, which ranked 3 and 7 of exporting value in Thailand (see **Fig. 1**). Unlike other quality standards, SA 8000 had been perceived as a labour standard since it launched. Therefore, promoting SA 8000 standard in Thailand is a very challenging issue because it affects both employer and employees.

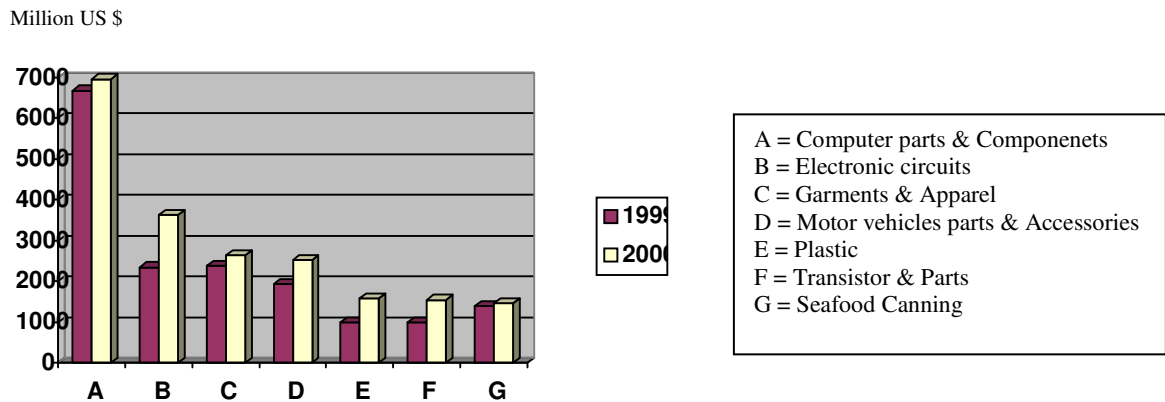


Figure 1: Thailand's Export Values<sup>2</sup>

#### 4.0 SA 8000 in Garment Industry in Thailand: A Case Study

The garment industry has faced increasing scrutiny in recent years due to governmental and consumer concern over the use of sweatshop labour in the production of goods. As a result, purchasing managers for US apparel manufacturers and retailers have found themselves faced with the challenge of ensuring that their merchandise is produced under humane, equitable conditions. This situation has strongly affects Thai apparel manufacturers since

<sup>2</sup> Adopt from Department of Business Economics, Ministry of Commerce, Thailand ([http://www.moc.go.th/thai/dbe/stat/tra\\_th/EXTH10.htm](http://www.moc.go.th/thai/dbe/stat/tra_th/EXTH10.htm))

Thailand's garment export value were the second and/ or third biggest category of exports in Thailand, after computer and electronic parts for many years. Thailand's biggest garment export market is the US, representing 50 per cent of total exports, followed by European countries with 13.3 percent, and Japan with 7.2 percent [Jirasakunthai, 1999].

The US government agencies have raised the number of restrictions since 1998. They sent questionnaires to the companies inquiring about the manufacturing processes. Then, in 2001, US delegations would be sent to inspect the manufacturing site. The manufacturers will be required to fill out a 20 pages questionnaire in which half of the questions concern working conditions in the manufacturing site. Also, the customers in both regions are growing much more worried and concerned about their image and tend not to buy from countries where human right enforcement is poor. The US and EU, major importing countries, will ban or suspend imports coming from countries that produce goods without environmental protection policies and child labour problems [Pongvutitham, 1999]. Therefore, Thailand, like other garment-exporting countries, can no longer ignore importers' requirements without buyers' export quotas or tax privileges being cut.

#### ***4.1 Outline of the Company***

Beauty Essential Co., Ltd. is considered medium-sized factory in the apparel industry in Thailand, with two manufacturing sites and over 600 employees. The company was founded in 1988, with registered capital of \$250,000, for producing garments for international brands including Calvin Klein, Tommy Hilfiger, and Nautica. Beauty Essential exports 100% of its products, nearly 75% is exported to the US, 10% to Japan, 10% to the E.U., and the remaining 5% to ASEAN countries. The two manufacturing facilities are at Nakorn Pathom and Pichit provinces. The main production and the head office is at Nakorn Pathom factory, which has around 500 workers on 11,200 square meters

of land. The maximum capacity is around 156,000 pieces per months. The Pichit site is smaller with monthly production of 36,000 pieces.

Through the corporate philosophy of continuous improvement towards excellence in manufacturing and management, Beauty Essential has been able to acquire various certifications of international standards. It obtained ISO9002 certification for its production system in 1998, and ISO 14001 certification in 1999. It claims to be the first garment factory in Asia to have received both certificates. In 2000, the company became the first and only factory in Thailand who gets SA 8000 certification. These quality standards were certified by Bureau Veritas Quality International (BVQI).

#### ***4.2 An Attempt to improve working condition***

Mr. Krit Payayam, president of Beauty Essential Co., Ltd. took a crucial role in SA 8000 implementation at his company. After ISO 9002 and ISO 14001 were granted, he put a further effort to comply with the social accountability standard as required by its customers in order to maintain his export market in the long run. He does not see the standards as a trade barrier but as a way to strengthen and differentiate Thai companies from other cheap-labour countries [Thapanachai, 2000] as well as a tool to improve employees' quality of life.

In April 1999, Krit initiated the SA 8000 project by setting the working group within the company and promoted human resource manager, Ms. Piyada, as a project manager. The team comprised of the representatives from each department because she realised that SA 8000 affected everybody in the company. With the constant support from Krit and the co-operation among every individual employee, SA 8000 project did not take long to achieve its goal. The company had continuously improved working conditions to meet SA 8000

requirements. Quality assurance manager, who has worked with the company since 1993, said that

“ SA 8000 for Beauty Essential is quite easy to implement because of various reasons. Firstly, this is not the first standard that the company has to comply. Secondly, since the employees are familiar with the implementation of quality standards during the last 3 years, they are ready to change. Finally, the employees perceive change in a positive way because every time the change takes place, they work in a better condition. Therefore, they believe that this new standard will improve their working environment again.”

As mentioned above that SA 8000 is not the first standard for Beauty Essential, being certified ISO 9002 and ISO 14001 earlier could be considered as a strong foundation for the implementation of SA 8000. Nevertheless, some difficulties still occurred. These difficulties will be discussed in the next section, including the way the team chose to overcome them.

#### ***4.3 The Path to Succeed***

According to SA 8000 guideline and requirement stated in section 2.0, Beauty Essential had already been complied with child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practice, and compensation, which are the main concern of this standard. In particular, for the compensation, the company pays by piece rate basis. If any employee produces less than minimum requirement, the company will pay minimum wage of 165 baht (US\$4) per day. A medical unit and other staff facilities are also provided for health and safety purpose. In addition, Beauty Essential does not have difficulty on management system requirement because it was adapted from the management system of ISO 9002 and ISO 14001.

The only condition the company had to improve is to reduce overtime. Beauty Essential worked on one shift basis from 8am to 5pm, 6 days a week plus overtime which was exceeded Thai law's limit, 36 hours per week. This means that according to Thai law, working up to 84 hours a week is allowed. In order to comply with SA 8000 guideline, the company had to reduce overtime from 36 hours per week to 12 hours per week. However, it is an expectation for both employer and employees to work overtime since employer gets more work done while employees could earn more. So, the challenging for the company was how to manage it without resistance from their employees and decreasing production.

The SA 8000 team tried to figure out the way to reduce overtime. Everyone agreed that an appropriate methodology to achieve the target was increasing productivity. By such methodology, the working environment would be improved, the company could save overtime costs, and the employees could make more money with less working hours.

The first step began with inspecting the working practices, including the workstations design in each step of production process by the supervisor. By so doing, supervisor in each task would demonstrate to the team. Then, the production engineering incorporated with supervisor and the team would decide how to improve working method for each task. They defined the word 'improvement' as reducing a body moving distance, walking distance ,and/ or time used in each workstation. By using Time and Motion technique with Ergonomics design, they laid out the new improved working method and the appropriate movement of each employee while working at their workstations. The changes for each workstation might include:

- Changing the working steps or sequences;
- Designing new tools to improve the employee's movement or working practices;
- Redesigning the workstations.

After the redesign process finished, the team made the prototype and rehearsed the working method to ensure that this new working method was actually an improvement. That means the employees could work under the same amount of time and produce more. This would lead to the higher productivity rate with less working stress and more outcomes.

Then, the supervisor introduced and demonstrated this unfamiliar working method to relevant employees. Time and distance comparison between old and new practices were illustrated. The employees had a chance to ask and discuss the new method. With this direct comparison, the employees realised and visualized the improvement they could make. The supervisor also showed how much money the employees could earn within the regular working hours plus 2 hours overtime per day according to SA 8000 requirement. After the new procedure had been understood, training session began. It did not take long to implement the new working method because the employees realised how they could benefit from this improved procedure. Finally, the supervisor had to inspect the working practices in his/ her production line frequently in order to correct and ensure the practices.

Around three months after the implementation procedure has been started, with cautious attention and committed management team, the company overcame the overtime problem. Beauty Essential had cut down the overtime by 28.57 per cent which means the overall overtime had been reduced from 36 hours per week to 12 hours per week. Consequently, Beauty Essential was certified and got the SA 8000 certification in August 2000 by BVQI. The company had already passed the first surveillance audit in early 2001.

## **5.0 Conclusion**

Different countries have different problems towards the implementation of SA 8000. According to the SA 8000 guideline, Thai manufacturers face many difficulties, especially in the area of **working hours and overtime**. This paper not only presents one of effective ways to overcome this problem, but also offers an alternative approach to view SA 8000. Perceiving SA 8000 as improving quality and productivity issue can compromise both employers and employees' needs. Implementing SA 8000 also has some privileges in terms of improving their factories, which would increase production efficiency as well as marketing opportunities worldwide. The further research can be explored in various aspects. The comparison of SA 8000 implementation case studies either within the same industry, different industries or across countries could be seen as an opportunity to accomplish. Furthermore, other aspects concerning the SA 8000 requirements in relation to law and regulations within each country could be carried out.

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