SUSTAINABLE COMPLIANCE METHODOLOGY

The Fair Labor Association’s (FLA) Sustainable Compliance methodology (SCI) advances workers’ rights by effecting progressive and sustained improvements in employment practices and working conditions.

The SCI was developed by FLA, an organization of colleges and universities, civil society organizations, and companies that are committed to protecting the rights of workers around the world. This methodology was developed directly in response to affiliates’ need for a more effective social compliance system, and many of FLA’s leading company affiliates and stakeholders contributed their time and effort to develop, test and validate the system.

Why do we need the SCI?
Since 2003, the FLA has conducted more than 800 independent social audits around the world, and has analyzed the results to uncover what works (and what doesn’t) for improving labor practices and conditions. We have found that the conventional framework for conducting audits is useful for remedying immediate problems in the workplace and has, over time, succeeded in protecting workers from the most egregious violations of labor ethics.

However, conventional audits do little to prevent recurring violations or drive sustainable and progressive improvements in working conditions.

Audits typically follow a “checklist” methodology, meaning that auditors check for the presence or absence of specific conditions and practices spelled out in a code of conduct. Companies then work with manufacturers to resolve code violations, such as improving lighting, replacing abusive supervisors, or providing safety equipment.

The problem with this approach is that these “fixes” don’t hold. In time, the lighting and safety equipment wears out and isn’t replaced, or another abusive supervisor is hired. Because the underlying policies and practices aren’t addressed, the factory’s next audit often uncovers very similar problems.

In effect, these “catch and fix” audits address the symptoms of bad labor practices, without addressing the underlying flawed practices themselves. Furthermore, knowing exactly what “red flags” auditors are looking for makes it relatively easy for factories to implement the letter, but not the spirit, of ethical codes.

The SCI is designed to move the field of social compliance beyond cat-and-mouse games and band-aid fixes. Each SCI assessment results in sustained improvements in employment systems and practices so that existing code violations are addressed and future code violations are minimized. This system of assessment will help improve workers’ lives in five significant ways:

- By gauging usual and normal working conditions rather than a snapshot on a particular day, the SCI reduces the likelihood of cheating the system or masking ongoing problems.
• The SCI uncovers root causes of problems and provides systemic, sustainable solutions so that problems are fixed in a lasting way.

• The SCI measures and tracks improvements in working conditions, thus providing useful information to conscientious buyers and civil society organizations. It also creates incentives for companies to continually improve their labor practices rather than just meeting basic requirements.

• The SCI makes monitoring and assessing easier for all stakeholders by providing standardized assessments and scores that allow for benchmarking, comparison and tracking progress (either for individual factories or for an entire supply chain).

• The SCI emphasizes worker-friendly management systems and greater participation of workers in the formulation, implementation and review of policies and will be a driver towards greater awareness and inclusion.

How it Works

The SCI departs from conventional auditing approaches in two main ways:

1. It looks at code violations in the context of a holistic picture of the factory’s employment practices. By relating code violations to weaknesses in underlying policies, practices or governance, the SCI shows how violations can be fixed in a lasting way.

2. It requires companies and manufacturers to collaborate to show progressive improvement on key aspects of labor management. The focus on tracking improvements in factory functions reduces the incentive to mask or gloss over underlying problems.

To understand how this works, compare it to how your doctor might handle a wellness visit:

**Check Up**
The doctor reviews family history, asks questions about lifestyle, does a physical exam and takes a blood sample.

**Diagnosis**
The doctor discovers the underlying causes of high blood pressure are high stress, a poor diet, and lack of exercise.

**Remedy**
The doctor gives you medicine to lower your blood pressure, but also provides an exercise plan and refers you to a nutritionist.

**Follow Up & Results**
After several months of eating right, exercising and taking your medication, you feel better and your blood pressure is at a healthy level. You make regular appointments with your doctor to keep it under control.

**Auditing is like seeking urgent care at an emergency room.**
The doctor might ask your symptoms based on a checklist, and prescribe pills that will make the pain or fever go away. Three weeks later, however, the same pain might return, and you’re right back in the emergency room.
SCI Tools
The SCI system has three main components:

1. **An assessment protocol based on how well a factory performs crucial employment functions** such as recruitment, hiring, determining and paying wages, setting hours of work, and addressing worker grievances. SCI assessors are trained to look at all aspects of how a factory handles these functions, such as whether or not there is a set policy, how well that policy is communicated to workers and line managers, how consistently it is implemented, and how it impacts workers.

2. **Standardized reporting tools** that can be used to generate scores on each employment function. These are essential for benchmarking, comparing and tracking progress over time.

3. **A tool-chest of capacity building resources** to help FLA affiliates improve their internal monitoring systems and effect sustained improvements in their supply chains. This includes self-assessment protocols, online and in-person trainings, and sample documents and templates to facilitate remediation.

The SCI Assessment
An SCI assessment is both deeper and broader than a conventional audit. It has the following components:

- The assessors review factory self-assessments and other management documents and confer with local civil society organizations to identify potential problem areas.

- The assessors map the factory structure and workflow for each employment function. This tells the assessor what to look for and whom to ask about implementation of specific components.

- The assessors then collect data through targeted management interviews and visual observation of factory conditions.

- Assessors conduct on- and off-site interviews and survey factory workers to understand what is actually happening in the workplace.

- The information is entered into a standardized reporting tool to generate factory scores, which are then translated into findings and used to set action priorities. These reports are published at [www.fairlabor.org/transparency](http://www.fairlabor.org/transparency).

How the SCI will be used
Every year, the FLA assesses hundreds of factories and makes the results available online. Starting in 2012, the FLA will use the SCI methodology for all of these independent assessments. These assessments will help brands and manufacturers to identify priority areas for improvement. The FLA will also conduct follow-up assessments on a sub-sample of these factories to note how these changes are taking hold.

Many FLA affiliates also have comprehensive internal monitoring systems to track social compliance across their supply chains. The FLA is encouraging all our affiliates to adopt the SCI methodology for their internal compliance function and will facilitate this adoption through an efficient web platform and customized tools and protocols. As more and more leading companies and brands adopt this methodology, its benefits will reach more factories and more workers.

FLA stakeholders believe that the impact of the SCI methodology will extend beyond the Association. In time, we hope that the SCI will become the industry standard for monitoring social compliance and its principles will be applied in other monitoring and compliance systems. We believe that the social compliance industry needs to be transformed to better serve the interests of workers in globally integrated supply chains, and the SCI is a big step in that direction.