

FLA's SCI – Sustainable Compliance Initiative

The Sustainable Compliance Initiative (SCI)

EFFECTIVE MONITORING FOR SUSTAINABLE CHANGE



WHAT IS THE SUSTAINABLE COMPLIANCE INITIATIVE?

The Sustainable Compliance Initiative (SCI) is a new labor assessment methodology that uncovers the systemic causes of labor code violations and identifies sustainable ways to improve conditions and reduce risks.

HOW CAN I USE SCI?

Starting in 2012, FLA will use this new methodology for all its independent assessments. As before, data from independent FLA assessments will be posted on our website.

SCI tools will be freely available to all FLA affiliates and we encourage them to use this system for internal assessments and analyses. SCI self-assessments uncover gaps and provide meaningful paths to improving labor conditions, thus enabling company affiliates to demonstrate progressive improvements to all stakeholders.

Companies, brands, and suppliers can adopt the entire system as a turnkey tool, or use its data-collection instruments and reporting functions to supplement internal systems. Companies may keep the results of these internal assessments private or share them with others to reduce duplicative assessments.

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WHY DO WE NEED SCI?

Consumer and investor interest in labor issues has led to a profusion of codes, audits, and auditors, all designed to help companies and factories demonstrate compliance with labor laws and ethical standards. Many of these systems are designed to detect labor code violations and temporarily fix them. They discourage the most egregious labor practices, but fail to drive lasting improvements in working conditions or prevent the re-occurrence of code violations.

Furthermore, current "check-list" audits are not geared to realize the positive impacts of good labor practices, such as lower turnover, better productivity and smoother work flows.

The industry needs a new approach, one that will improve working conditions and enhance the quality and sustainability of the supply chain. SCI is such a system.

Colleges and universities can use SCI data to monitor the progress of their licensees. As more licensees use this system, universities will have better data to inform their decisions and report to their stakeholders.

KEY SCI BENEFITS

- **Presents a more complete and real picture of labor conditions; flags risks**
- **Reveals root causes of compliance failures**
- **Offers sustainable, systemic strategies for addressing labor issues suppliers and workers in the supply chain**
- **Tracks and reports incremental improvements**
- **Facilitates sharing of data to reduce duplicative audits**
- **Aggregates data for benchmarking and comparison**

HOW DOES SCI WORK?

Figure 1 shows the main components of the SCI system.

At the heart of the system lies a unique **worker lifecycle approach** that looks at how a factory organizes and implements key functions affecting workers, such as hiring, training, setting wages and work hours, and terminating employment. When assessors identify a management or employment function gap, they are able to relate it to a possible violation. These violations are often directly connected to the absence of an appropriate management policy or a failure to implement a policy properly.

This approach is operationalized and implemented via the following:

1 A set of **standardized assessment tools** that look at the presence or absence of specific policies and procedures, and at how effectively they are implemented. The SCI methodology requires assessors to look at the same labor function from a number of angles and data sources to construct a complete and true assessment of labor conditions.

This information is then aggregated to develop a series of scores that identify areas of strength and weakness for a particular factory. Because the data-collection tools and scoring methods are standardized, results from different assessments can be compared and changes can be tracked over time.



Figure 1: The Sustainable Compliance Initiative—a complete, seamless system for better monitoring and continuous improvements in labor conditions.

2 A **web-based platform** on which questionnaires can be accessed, data can be entered directly into the system, and compliance scores are generated automatically. The system also tracks data for specific factories, companies, and assessors, gradually building a comprehensive database for benchmarking and comparison. SCI's reporting tool allows users to mine the data and report results in ways that inform decisions and point towards sustainable solutions.

3 The **solution center**, an online database of resources that companies and factories can use to build capacity and implement lasting improvements in factory conditions.

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WHAT WILL THIS COST?

The SCI methodology will be freely available to all FLA company affiliates. Because the SCI approach is more comprehensive, initial assessments may take more time and resources than conventional audits. However, future assessments and interventions will become simpler. Companies can then focus measurement efforts and interventions on critical issues that were identified in the baseline. As the database of shared information grows, companies may also be able to draw on information collected by other companies to streamline their own compliance efforts.

In the medium and long term, both buyers and suppliers will realize cost savings from prevention of problems and improvements in work flow and productivity. SCI is designed to flag and address vulnerabilities so that labor code violations can be prevented. The ability to identify and address risks before they become full-

fledged production problems has huge benefits for both buyers and suppliers.

By pooling data from different sources and tracking incremental improvements in labor conditions, SCI reduces both the potential and the incentives for gaming the system. It also identifies solutions that stick, further reducing the time and money spent on repeatedly “catching” and fixing recurring problems. This sets the right tone for buyers and suppliers to work together to address business risks, moving the field away from an expensive “policing” model to a more collaborative approach.

FLA is working closely with affiliate companies and universities and with civil society organizations to develop the SCI. FLA's leading company affiliates and stakeholders are also contributing their time and effort to test the SCI. The methodology is being tested in a variety of settings to see how it works for large and small factories in different parts of the world.

<http://tp.fairlabor.org/en/introductions/the-sustainable-compliance-initiative-sci>