

## SA 8000 - ACCOUNTING FOR CORPORATE SOCIAL RESPONSIBILITY

**Motoniu Ioan Dumitru**

*Valahia University of Târgoviște, Faculty of Economics*

**Vatasoiu Cristian Ionel**

*Valahia University of Târgoviște, Faculty of Economics*

**Boca Ileana-Sorina**

*Valahia University of Târgoviște, Faculty of Economics*

*In the current context, organizations are evaluated not only in terms of product quality. The modern organization is valued beyond its economic performance, quality management and communication policy, and by its contribution to the social life of the community it takes part of. The new social responsibilities that appear for the companies involve the increasement of information requests from both outside and inside for better management of the entity. Social responsibility accounting is a branch of accounting in the context of scientific knowledge that provides answers to social problems, the causes, manifestations and projections in a dynamic environment. This article aims to show what social responsibility is and how it works according to SA 8000:2008, what would be its implications and its main objectives, emphasizes the importance of publishing additional information on corporate social responsibility other than traditional financial situations.*

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*Jel code: M41 Accounting*

### **1. Introduction. The concept of social responsibility**

Social responsibility is the notion or concept which connotates the obligations of the companys to groups formed in the society, other than shareholders and also those prescribed by law and unions. The two sides of this definition are: firstly, the obligation must be voluntarily accepted (so the behavior influenced by enforcement forces of law or trade union is not voluntary), secondly, the obligation is something broader, meaning it extends beyond the traditional duty to the shareholders, to other groups in society such as consumers, employees, suppliers and neighboring communities. The essence of this conceptual issue is whether the organizations have obligations to other social groups than shareholders<sup>619</sup>.

Corporate social responsibility is a concept whereby companies integrate their social part and the environment in their own economic operations and interact with key players in their field of interest voluntarily<sup>620</sup>.

CSR is what the community expects from it in terms of environmental, economic, legal, ethical and philanthropic view point. The most developed and most widely accepted model of corporate social responsibility is the so-called „quadripartite model of corporate social responsibility", initially proposed by Archie Carroll in 1979 and then refined in a recent work, done in collaboration with AK Buchholtz<sup>621</sup>.

*Environmental responsibility.* Environmental responsibility is a reflection of sustainable

<sup>619</sup> **Ionescu Gh. Gh.** Cultura Afacerilor- Modelul american, Ed. Economică, București, 1997, 175

<sup>620</sup> **Comisia Europeană**, Cartea Verde: Promovarea unui cadru european pentru responsabilitatea socială a corporațiilor, Bruxelles , 2001

<sup>621</sup> **Carroll, A. B., Buchholtz, A. K.:** Business and Society: Ethics and Stakeholder Management, 4th edition, Cincinnati, South- Western College, 2000

development issues including the ecological aspects considered by the literature<sup>622</sup> to be a core value of social responsibility.

*Economic responsibility.* Companies have shareholders who expect a reasonable profit for their investments. They have employees who want safe and well-paid jobs, they have customers who demand quality products at affordable prices, etc..

*Legal Responsibility.* Corporate legal responsibility calls for the business to comply with the normative documents in force.

*Ethical responsibility.* Ethical responsibilities require corporations to do what is just, fair and equitable, even if they are not forced to do so by the existing legal framework.

*Philanthropic responsibility.* The Greek word "philanthropy" literally means "love of people" and placing this within the context of business covers all those situations where the corporation is free to decide, without any external constraint, to engage in actions aimed at improving quality of life for employees, local communities and ultimately society as a whole.

## **2. Social Accountability 8000 standard**

The Most relevant standards of social responsibility is the SA8000 developed by **CEPA (Council of Economic Priorities Accreditation Agency - USA)** now known as **Social Accountability International (SAI)**. The Social Accountability 8000 Standard (SA 8000), along with other types of certification standards and corporate codes of conduct, represents a new form of voluntary "self-governance" of working conditions in the private sector, initiated and implemented by companies, labor unions, and non-governmental activist groups cooperating together. There is an ongoing debate about whether this type of governance represents real and substantial progress or mere symbolism. Advocates promote SA 8000 and similar codes as a necessary tool to improve workplace conditions, especially in nations that lack robust enforcement of regulatory standards<sup>623</sup>.

The **SA 8000** standard is an internationally auditable performance standard relying on International Labor Organization Conventions, on the Human Rights Declaration and the UNO Convention on child's rights. The management system of social accounting can be developed so as to integrate part of the other management systems: quality (ISO 9001:2000), environment (ISO 14001:2004), health and workforce security (OHSAS 18001:1999).

SA 8000: 2001 can apply in all and any organizations which wants to:

- Measure the companies' performance in eight key areas: child's work, forced work, occupational work and security, free association in collective associations, discrimination, disciplinary practices, working hours, remunerations;
- Investigate and solve the employees' or the parties' problems, as well as take some actions with a will to correct them;
- Elaborate a health and occupational security management system to eliminate or minimize the risks of employees or other parties who might be exposed to health and occupational security-related risks associated with their activities;
- Implement, maintain and improve, on a permanent basis, a social accountability management system;
- Make sure this system complies with the company's policy in terms of social accountability;
- Prove this compliance to others;
- Try to get certification/confirmation of its social accountability management system by an external organization.

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<sup>622</sup> **Crane et al.:** Corporate Social Responsibility. Readings and causes in a global context. Routledge, 2008, 307

<sup>623</sup> **Hiscox et. al,** Evaluating the Impact of SA 8000 Certification, 2008, 2

Generally, CSR can positively influence competitiveness in the following ways<sup>624</sup>:

- Improved products and/or production processes, resulting in a better customer satisfaction and loyalty;
- Higher motivation and loyalty of employees, resulting in a higher creativity and innovativeness;
- Better publicity due to the award of prizes and/or enhanced word-of-the-mouth;
- Better position at the labour market and better networking with business partners and authorities including better access to public funds due to a better company image;
- Cost savings and increased profitability due to a more efficient deployment of human and production resources;
- Increased turnover/sales due to a competitive advantage derived from the above.

The intent of SA8000 is to provide a standard based on international human rights norms and national labour laws that will protect and empower all personnel within a company's scope of control and influence, who produce products or provide services for that company, including personnel employed by the company itself, as well as by its suppliers/subcontractors, sub-suppliers, and home workers. SA8000 is verifiable through an evidenced-based process. Its requirements apply universally, regardless of a company's size, geographic location, or industry sector.

Complying with the requirements for social accountability of this standard will enable a company to:

- Develop, maintain, and enforce policies and procedures in order to manage those issues which it can control or influence;
- Credibly demonstrate to interested parties that existing company policies, procedures, and practices conform to the requirements of this standard.

SA 8000 is a consensual standard that specifies minimum requirements and include definitions in the following areas:

- Child Labor;
- Forced and compulsory labor;
- Health and Safety;
- Freedom of association and right to collective bargaining;
- Disciplinary Practices;
- Discrimination;
- Work Program;
- Remuneration;
- Management systems.

### *2.1. Child Labor*

The company shall establish, document, maintain, and effectively communicate to personnel and other interested parties, policies and written procedures for remediation of children found to be working in situations which fit the definition of child labour above, and shall provide adequate financial and other support to enable such children to attend and remain in school until no longer a child as defined above.

The company shall not expose children or young workers to any situations – in or outside of the workplace – that are hazardous or unsafe to their physical and mental health and development.

### *2.2. Forced and compulsory labor*

The company shall not engage in or support the use of forced or compulsory labour, nor shall personnel be required to pay 'deposits' or lodge identification papers with the company upon commencing employment. Neither the company nor any entity supplying labour to the company

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<sup>624</sup> **European Commission**, Enterprise and Industry Directorate-General: Corporate Social Responsibility in SMEs, 2007, 3

shall withhold any part of any personnel's salary, benefits, property, or documents in order to force such personnel to continue working for the company.

Personnel shall have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice to their employer.

Neither the company nor any entity supplying labour to the company shall engage in or support trafficking in human beings.

### *2.3. Health and Safety*

The company shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential accidents and injury to workers' health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the workplace environment, and bearing in mind the prevailing knowledge of the industry and of any specific hazards.

### *2.4. Freedom of association and right to collective bargaining*

All personnel shall have the right to form, join, and organise trade unions of their choice and to bargain collectively on their behalf with the company. The company shall respect this right, and shall effectively inform personnel that they are free to join an organisation of their choosing and that their doing so will not result in any negative consequences to them, or retaliation, from the company. The company shall not in any way interfere with the establishment, functioning, or administration of such workers' organisations or collective bargaining.

### *2.5. Discrimination*

The company shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that could give rise to discrimination.

### *2.6. Disciplinary Practices*

The company shall treat all personnel with dignity and respect. The company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion, or verbal abuse of personnel. No harsh or inhumane treatment is allowed.

### *2.7. Working hours*

The company shall comply with applicable laws and industry standards on working hours and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours.

Personnel shall be provided with at least one day off following every six consecutive days of working. Exceptions to this rule apply only where both of the following conditions exist:

- National law allows work time exceeding this limit; and
- A freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods.

In cases where overtime work is needed in order to meet short-term business demand and the company is party to a collective bargaining agreement freely negotiated with worker organisations (as defined above) representing a significant portion of its workforce, the company may require such overtime work in accordance with such agreements. Any such agreement must comply with the requirements above.

### *2.8. Remuneration*

The company shall respect the right of personnel to a living wage and ensure that wages paid for a normal work week shall always meet at least legal or industry minimum standards and shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.

### *2.9. Management systems*

*Policy.* Top management shall define in writing, in workers' own language, the company's policy for social accountability and labour conditions, and display this policy and the SA8000 standard in a prominent, easily viewable place on the company's premises, to inform personnel that it has

voluntarily chosen to comply with the requirements of the SA8000 standard. Such policy shall clearly include the following commitments:

- To conform to all requirements of this standard;
- To comply with national and other applicable laws and other requirements to which the company subscribes, and to respect the international instruments and their interpretation;
- To review its policy regularly in order to continually improve, taking into consideration changes in legislation, in its own code-of-conduct requirements, and any other company requirements;
- To see that its policy is effectively documented, implemented, maintained, communicated, and made accessible in a comprehensible form to all personnel, including directors, executives, management, supervisors, and staff, whether directly employed by, contracted with, or otherwise representing the company;
- To make its policy publicly available in an effective form and manner to interested parties, upon request.

*Management Representative.* The company shall appoint a senior management representative who, irrespective of other responsibilities, shall ensure that the requirements of this standard are met.

*SA8000 Worker Representative.* The company shall recognize that workplace dialogue is a key component of social accountability and ensure that all workers have the right to representation to facilitate communication with senior management in matters relating to SA8000. In unionised facilities, such representation shall be undertaken by recognized trade union(s). Elsewhere, workers may elect a SA8000 worker representative from among themselves for this purpose. In no circumstances, shall the SA8000 worker representative be seen as a substitute for trade union representation.

*Management Review.* Top management shall periodically review the adequacy, suitability, and continuing effectiveness of the company's policy, procedures, and performance results vis-à-vis the requirements of this standard and other requirements to which the company subscribes. Where appropriate, system amendments and improvements shall be implemented. The worker representative shall participate in this review.

*Planning and Implementation.* The company shall ensure that the requirements of this standard are understood and implemented at all levels of the organisation.

*Control of Suppliers/Subcontractors and Sub-Suppliers.* The company shall maintain appropriate records of suppliers/subcontractors' (and, where appropriate, sub-suppliers') commitments to social accountability.

*Addressing Concerns and Taking Corrective Action.* The company shall provide a confidential means for all personnel to report non-conformances with this standard to the company management, and the worker representative. The company shall investigate, address, and respond to the concerns of personnel and other interested parties with regard to conformance/non-conformance with the company's policies and/or the requirements of this standard. The company shall refrain from disciplining, dismissing, or otherwise discriminating against any personnel for providing information concerning observance of the standard.

*Outside Communication and Stakeholder Engagement.* The company shall establish and maintain procedures to communicate regularly to all interested parties data and other information regarding compliance with the requirements of this document, including, but not limited to, the results of management reviews and monitoring activities.

The company shall demonstrate its willingness to participate in dialogues with all interested stakeholders, including, but not limited to: workers, trade unions, suppliers, subcontractors, sub-suppliers, buyers, nongovernmental organizations, and local and national government officials, aimed at attaining sustainable compliance with this standard.

*Access for Verification.* In the case of announced and unannounced audits of the company for the purpose of certifying its compliance with the requirements of this standard, the company shall ensure access to its premises and to reasonable information required by the auditor.

*Records.* The company shall maintain appropriate records to demonstrate conformance to the requirements of this standard.

SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. SA8000 also provides for a social accountability management system to demonstrate ongoing conformance with the standard.

### **Conclusions**

Economic globalization is a challenge for organizations worldwide. In this context, an important topic of Social Responsibility gets increasingly higher in present world, being not seldom a tie breaker criteria in auctions in which economic agents with similar activity profile are involved. Accounting, as informational means, must offer information to different users of accurate information. Amongst these users, we can think of the society, in general terms, which is directly interested in knowing the social repercussions of the organization's activities.

According to research carried out, the real problem lies in accounting interpretation of environmental and social concepts, and theoretical position is adopted to talk about them, since, for accounting purposes, it is important the externalization and internalization of social responsibility concept. The social responsibility accounting information are meant not only to meet the society's requirements but also to make their contribution to creation of value inside the organization showing the extent to which the company is socially responsible and contributing to creation of intangible assets. SA 8000 is a voluntary standard for organizations interested in auditing and certification of working practices applied to the premises, and in collaboration with suppliers or partners who demonstrate social responsibility.

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