

# Measure & Improve Your Labor Standards Performance

PERFORMANCE STANDARD 2 HANDBOOK  
FOR LABOR AND WORKING CONDITIONS



IFC, a member of the World Bank Group, creates opportunities for people to escape poverty and improve their lives. It fosters sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments.

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# Introduction

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# Welcome

The purpose of this Handbook is to help you understand the issues related to developing a socially responsible company and to improve your performance in relation to the International Finance Corporation's Performance Standard 2: Labor and Working Conditions.

The Handbook is intended to be a practical reference book. It includes tools to help you implement or improve your labor standards policies and performance.

Our goal is to assist you in understanding and implementing the management systems that are necessary for continual improvement in the labor standards performance of your company and your supply chain. This Handbook is applicable to companies in any industry. We have tried to make it useful for senior management, as well as professionals in the human resources, compliance and sourcing departments.

We know that companies are under pressure to perform, or even survive, especially in the current economic climate. We know that workers are being asked to do more and more. We realize that new initiatives are often met with resistance as people struggle to keep up with their day-to-day responsibilities.

Think back to the initial reaction to quality management systems. People complained. "Why do we need to document what we do? I don't have time for this." But now, for many companies, quality management systems are completely integrated into their day-to-day operations. It has become a fundamental part of how they do things. And it is safe to say that the companies that have really taken quality management to heart have gained a competitive advantage and improved their performance.

The same is true for labor standards management systems. As you will see in this book, labor standards performance is shifting from a way to minimize risk to a competitive advantage.

Our hope is that we bring together perspectives and tools that will help you to implement the systems needed to improve labor standards performance in your company as measured against the Performance Standard 2 (PS2). Our hope is that this Handbook will accelerate your journey of continual improvement; a journey that will benefit your company and every link of the global supply chain – from the consumer to the worker.

## What's in Each Section

Here's a quick briefing on what you will find in each section.

### Building the Business Case

We present some recent research and cases looking at the production and marketing benefits of improved labor standards performance.

### The Elements of Labor Standards Performance

We go through each element of PS2 in a consistent way. We look at the guiding principles behind the element, what an auditor would look for to verify your performance, the common problems and potential solutions.

### Labor Standards Performance in Your Company

We focus on helping you understand management systems for labor standards performance, and the drive for continual improvement. This is important background for using the Toolkit to build your own system. We also look at the importance of involving workers and external stakeholders.

### Forming an Effective Internal Labor Standards Performance Team

We provide a practical guide to forming and training the team responsible for managing labor standards performance in your company.

### Labor Standards Performance in Your Supply Chain

We look at how to effectively extend your management systems to your supply chain. We also introduce a supplier rating system to help you get started.

### Management System Tools with Step-by-Step Guide

This is the section to turn to when you're ready to start building your system. We've divided it into two sub-sections:

- For Labor Standards Performance in Your Company
- For Labor Standards Performance in Your Supply Chain

In both cases, there is a step-by-step map that guides you through the process and shows you what tools to use. The tools are sample documents and forms that will help you toward meeting the requirements of PS2. We also provide easy-to-use instructions on how to use each tool to build your own labor standards management system.

## Quick Reference for Using this Handbook

Feel free to jump around. We tried to make the sections self-contained and the Handbook easy to use.



If you see a Toolkit icon, it means there is a relevant document in the Management System Toolkit. The Toolkit is meant to provide you with a big head start.

Look for the "Tips". These give you pointers and shortcuts.

Call-out boxes highlight a key part of the text.

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## About Social Accountability International (SAI)

SAI is a multi-stakeholder, non-profit organization dedicated to improving workplaces and communities by developing and implementing social responsibility standards and assisting brands, retailers and suppliers in meeting labor and human rights objectives. Focused on the human elements of the workplace and the supply chain, SAI developed the world's preeminent social standard – SA8000, which is firmly grounded in ILO and UN conventions.

SAI convenes stakeholders – companies, non-governmental organizations (NGOs), trade unions and governments – to conduct research, training and technical assistance programs focused on developing the management systems required to adequately address social compliance issues in a sustainable manner.

SAI works with corporations to use management systems for the continual improvement of social compliance in their companies and in their supply chains. SAI's global training program has trained thousands of people in labor standards performance, including corporate managers, factory managers, workers, auditors, investors and government officials.