

Characterization models in SLCA

The case of the « Fair Salary »

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Does a Characterization Model using Performance Reference Points lead to an Index?

SLCA

- 🌐 What?

- 🌐 How? –Performance reference points (PRP)

- 🌐 What?

Hotspots assessment of the 'Fair Salary' with PRP

- 🌐 Proposition of an Index

Conclusions

Stakeholder categories	Subcategories
Stakeholder “worker”	Freedom of Association and Collective Bargaining Child Labour Fair Salary Working Hours Forced Labour Equal opportunities/Discrimination Health and Safety Social Benefits/Social Security
Stakeholder “consumer”	Health & Safety Feedback Mechanism Consumer Privacy Transparency End of life responsibility
Stakeholder “local community”	Access to material resources Access to immaterial resources Delocalization and Migration Cultural Heritage Safe & healthy living conditions Respect of indigenous rights Community engagement Local employment Secure living conditions
Stakeholder “society”	Public commitments to sustainability issues Contribution to economic development Prevention & mitigation of armed conflicts Technology development Corruption
Value chain actors* not including consumers	Fair competition Promoting social responsibility Supplier relationships Respect of intellectual property rights

Example of classification under ‘impact categories’



What does SLCA assess?

How do we assess social aspects?

Two types of characterization models

Impact pathways – assess social impacts

- “**cause-effect relationships are not simple enough or not known with enough precision to allow [the] quantitative cause-effect modeling**” (UNEP, 2009: 70) [of every social aspect]
- **no consensus** on social cause-effect relationships (Jorgensen *et al.*, 2008).

Performance reference points (meaning assessment)

Performance reference points

« Performance reference points may be internationally set [of] thresholds, goals or objectives according to conventions and best practices, etc. » (UNEP, 2009: 99)

1 = if the total workforce of the firm paid the **minimum payment** is below **5%**,

0 = otherwise

(Economically Equitable Enterprise Index – Standing, 2003)

Assess the *relative position* of a unit process = Social Performance

Case Specific versus Hotspots

Case Specific Assessment

- Using data collected on site

Hotspots Assessment

- A “*generic analysis [that] gives an overview of the social problems in the area (country, region)*” (PNUE, 2009: 60)
- Hotspots are “*processes located in a region where a situation occurs that may be considered as a problem, a risk [...], in function of a social theme of interest.*” (UNEP, 2009: 100)

What are we assessing?

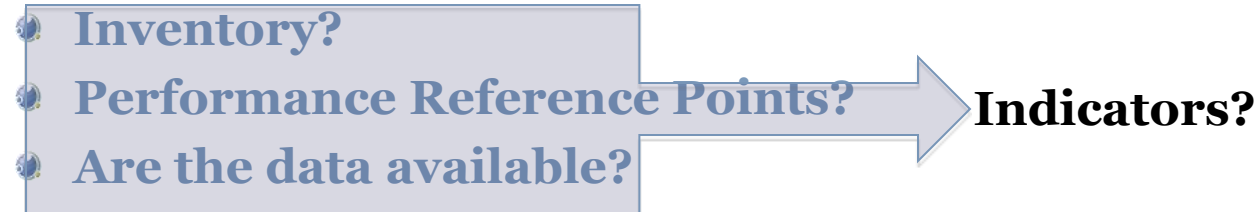
		Level of assessment	
		Case Specific	Hotspots
Characterization models	Impact pathways	Potential Impacts (smaller uncertainty)	Potential Impacts (larger uncertainty)
	Performance reference points	Social Performances	Risk of unwanted Social Performances

Hotspot assessment of 'fair salary'

Hotspots are “*processes located in a region where a situation occurs that may be considered as a problem, a risk [...], in function of a social theme of interest.*” (UNEP, 2009: 100)

Are the sector and the country of the different processes *at risk* regarding the salaries in the life cycle?

Are we expecting *decent* salaries in the sectors and the countries involved in the life cycle?



Indicators of the 'decency' of the salaries

Decent Work Indicators – ILO

• NO one single category indicator



- Ratification of the ILO conventions and CEACR
- Presence of a legal minimum wage
- Adequacy of that minimum wage
- Poverty rate
- GDP/inhabitant
- GINI
- Ratio wage F/M

Impact categories

Subcategories

Inventory indicators

Aggregation/ characterization

Aggregation/ characterization

→ One score

From several indicators to 1 score

« A composite indicator is formed when individual indicators are compiled into a single index (OCDE, 2008) »

• Normalization

- “Normalisation - Indicators should be normalised to render them comparable. (OCDE, 2008) » (re-scaling)

$$I_{qc}^t = \frac{x_{qc}^t - \min_c(x_q^{t_0})}{\max_c(x_q^{t_0}) - \min_c(x_q^{t_0})}$$

• Weighting formula

- Relative importance

Decent Salary Index – based on Bonnet *et al.* (2003) at the ILO

Indicators	ILO Conventions adjusted CEACR				Minimum wage law	Minimum wage decency	Wealth		Inequality Indicators		Decent salary Index result
	94	95	131	173			1- poverty rate	GDP / inhabitant (PPP)	1 - GINI	F/M wage ratio	
Generic data source	ILOLEX and CEACR				TRAVAIL	LABORSTA and TRAVAIL	World Fact Book (WFB) (2008)	WFB (2008)	UNDP (2008)	1 = the best, 0 = the worst	
Weighting system	0,125				0,125	0,250	0,125	0,125	0,125	0,125	
Canada	0	0	0	0	1	0,08	0,89	38400	0,68	0,64	0,64
Mean	0										
Normalized value	0										
Netherlands	0	1	1	0	1	0,44	0,90	38500	0,69	0,64	1,00
Mean	0,5										
Normalized value	1										
Sri Lanka	0	0	0	1	1	0,03	0,78	4100	0,5	0,41	0,19
Mean	0,25										
Normalized value	0,5										

* The Index' values are normalized only among the three countries and the values are dependant of the weighting system

Index as Characterization Model

- **Advantage**

- **“Can summarise complex or multi-dimensional issues in view of supporting decision-makers.” (OECD, 2008)**

- **Disadvantage**

- **weighting and scoring system carries a subjective dimension**

PRP as Characterization models → Index

Impact pathways

- **Characterization models represent processes linking the Inventory to the Impact category**
= **characterization factor** allowing the measurement of the **category indicator**

Performance Reference Points

- **The goal is to end up with a ‘score’ that represents the Social Performance of the unit processes = Category Indicator**
- **The Characterization model could be defined as the system allowing the measurement of the ‘score’ when using several indicators ⇒ Index**

Conclusion

There is a need to explore the way the scoring and weighting systems will be dealt with

Thank you!

QUESTIONS?

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