



# **Business and Child Labour**

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A Management Primer

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### Introduction

Child labour is a complex problem affecting all regions of the world today. Though closely linked to poverty, its roots often lie in a complicated interaction of social, economic, cultural and political factors. Although opinions differ as to how best to eliminate child labour, there is a strong consensus that the worst forms of child labour should be tackled as a matter of urgency.

At first glance, child labour may seem a strange concern for one of the world's largest energy multinationals. Yet today, the Shell Group of companies is involved in many different activities. At one end of the spectrum there exist high public profile activities, such as forecourt retailing, in which the local Shell company is directly involved. At the other end are activities such as cane cutting, ship breaking or football stitching, where a Shell company may have an indirect involvement through its supply chain relationships.

The commitment to support for fundamental human rights included in the Shell General Business Principles (SGBP) means that Shell companies undertake not to exploit children in any of their activities, either directly or indirectly. This requires a sound understanding of where the problem is most likely to be encountered, how it can be recognised and how it is best tackled.

This primer-one of a series that addresses human rights related issues-does not offer easy answers to the problem of child labour. It does however provide the information and references necessary to gain a practical understanding of the issue.

It comprises three main sections:

- **The nature and causes of child labour:** questions what is meant by the term 'child labour' and considers the magnitude, causes and consequences of the problem
- **International issues in child labour:** examines the major legal instruments that affect the issue, together with the international response to date
- **Child labour - the role of business:** looks at how child labour affects, and is affected by, international business in general, and Shell companies in particular.

Sources of further reading on the subject are offered at the end of this primer.

## Section 1

# The nature and causes of child labour

## 1.1 What is child labour?

The first problem facing anyone with an interest in child labour is the difficulty in defining what it means. When is a child sufficiently old to start work? At what point does acceptable 'work' become exploitative 'labour'? To some extent the answers to these questions will vary from culture to culture and country to country.

Undertaking a few hours of work per week on a voluntary basis can be beneficial to children. Such work is not detrimental to health or education and may indeed help the child to increase its social skills, benefit from informal education, learn a useful trade, and, of course, earn money. Yet millions of children worldwide are obliged to undertake work of a very different nature. 'Child labour' is used to refer to a type and intensity of work that hampers children's access to education, damages their health, their development within their families and deprives them of their childhood or their self-respect. However, where the line between 'work' and 'labour' falls, remains a matter of considerable debate.

The most widely recognised, though not universally accepted, definition is provided by the International Labour Organisation (ILO) Minimum Age Convention (138). This defines the minimum ages for employment as follows; at 13 years, children may undertake light work, ie work which will not prejudice a child's attendance at school. At 15 years, regular work is permissible, whilst at 18 years, or the age of majority if earlier, the child becomes an adult and so able to undertake any form of work.

In countries 'whose economy and educational facilities are insufficiently developed', lower age limits apply on a transitional basis. Children of 12 years are eligible for light work, and children of 14 years are able to undertake regular work. Under certain circumstances, the age limit for hazardous work may also be reduced to 16 years.

(Note: the youngest Shell company employee is 15 years old and works part-time in Europe.)

## 1.2 How big is the problem today?

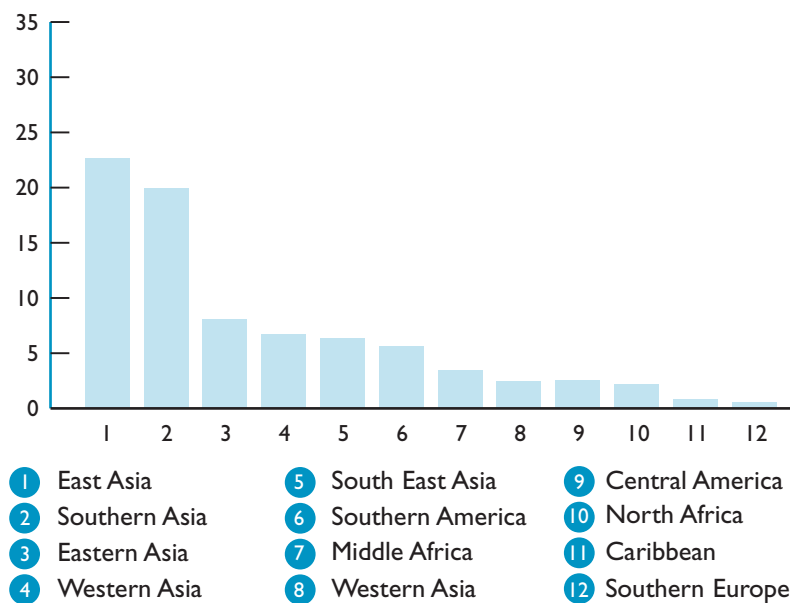
Child labour is known to be a worldwide problem today. It is however, difficult to determine the exact magnitude of the problem due to the lack of accurate, detailed statistics. The

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ILO estimates that over 250 million children between the age of 5 and 14 years are currently engaged in some form of paid work, of whom around 120 million are thought to be working full time [1]. In addition, UNICEF suggests that there are a further 150 million children who undertake regular, but unpaid work such as helping with domestic activities. This suggests that worldwide, as many as 400 million children may be involved in some form of regular work or labour.

**Working children (millions)**



**Figure 1. Distribution and participation rates for children 10 - 14 years old [2]**

The largest number of child workers is found in Asia, which accounts for over 60% of the world's total child workforce. However, it is believed that this number has largely stabilised, and may be reducing. Increased income, the spread of education and decreasing family size are credited with this change [3].

In Africa however, the converse situation is found. Around 40% of all African children, between the ages of 5 to 14 years are thought to be engaged in some form of work [4]. Economic crises, combined with political instability, have led to the breakdown of essential social services, rapid population growth, reduced standards of living, widespread displacement

1. McIntosh, M., et al., *Corporate Citizenship; successful strategies for responsible companies*. 1st ed. 1998, London: Financial Times; Pitman Publishing.
2. Fallon, P. and Z. Tzannatos, *Child Labor: Issues and Directions for the World Bank*, 1998, The International Bank for Reconstruction and Development / World Bank: Washington DC.
3. International Labour Office and U.N.C. Fund. *Strategies for Eliminating Child Labour: prevention, removal and rehabilitation*. in *International Conference on Child Labour*. 1997 Oslo.
4. International Labour Organization, *Facts and Figures on Child Labour*, 1999, ILO: Geneva.

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and the break up of families. The impact of the HIV/AIDS pandemic has exacerbated the problem. Together, these factors have encouraged a growth in child labour.

Although Africa and Asia together account for a very substantial proportion of all child labour, the problem is not confined to certain continents, nor is it confined to countries with a low level of industrialisation. It is estimated, for example, that in Europe some 89,000 children in the 10 to 14 age range [1] are engaged in work. Eastern Europe has been particularly badly affected in recent years as an upsurge in child labour has occurred in the wake of the transition to a market economy [2]. There may also be large differences between countries in the same region.

So, it can be seen that although the challenge of child labour is at its greatest within less industrialised countries, the issue is truly global and affects substantial numbers of individuals.

### 1.3 Are all forms of child labour the same?

Child labour occurs in many different guises and is more prevalent in some sectors than in others. Children are most commonly found working on farms, in households and in the informal manufacturing sector, comprising small factories, workshops, foundries etc [3]. These economic sectors are relatively inaccessible to protective legislation and so the children working within them are at risk of exploitation.

However, some forms of child labour are even more hazardous. The ILO has recently defined the 'worst forms' of child labour as being; slavery, prostitution, involvement with illegal activities such as drug trafficking, and other work likely to jeopardise the health, safety or morals of children [4]. Again the problem is global. Child prostitution, for example, is a problem in many parts of the world, including Europe and North America, where at least 100,000 children are thought to be involved [5]. Children have been forced into work in areas as diverse as South American sugar cane plantations and South East Asian railways [6], whilst others face the potential of a life of slavery arising from debt bondage.

1. Fallon, P. and Z. Tzannatos, *Child Labor: Issues and Directions for the World Bank*, 1998, The International Bank for Reconstruction and Development / World Bank: Washington DC.
2. International Labour Organization, *Facts and Figures on Child Labour*, 1999, ILO: Geneva.
3. International Labour Office and U.N.C.Fund, *Strategies for Eliminating Child Labour: prevention, removal and rehabilitation*, in International Conference on Child Labour 1997 Oslo.
4. International Labour Organization, *Proposed Convention on the prohibition and immediate elimination of the worst forms of child labour. - ILO 87th Session Report IV(1)*, 1999, ILO.
5. UNICEF, *The State of the World's Children*, 1997, Oxford University Press: Oxford.
6. Brazier, C., *Respite - and respect*, in *New Internationalist*. 1997. p. 7 - 10.

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#### Debt bondage

In this modern form of slavery a child's labour is provided as security against a loan made to the parents, often to finance an event required by social or religious tradition. The child must work for the lender until the debt is paid off. The lender may add to the debt an inflated charge for feeding the child, thereby ensuring that the debt cannot be repaid. The burden of the debt can be passed from one generation to the next, whilst ownership of the debt may also be traded.

Not all children labour in physically or mentally detrimental conditions however. Some children work on a voluntary basis, possibly in their home environment, under the protection of one or both parents. The hours that the children work may interfere with their education, but their physical well being is not at great risk. However, if the working hours are too long, the child too young or the type of work undertaken is harmful, the benefits gained are likely to be outweighed by the long term damage caused to the child's physical and mental development. The key lies in an appropriate balance between work and education.

#### 1.4 Why include children in the workforce?

Children are sought after as workers for a variety of reasons. Lower cost is certainly a key element; one survey found that children received just one sixth of the minimum national wage [1]. However, children are also in demand because they are easily controlled, quick to learn basic skills, often willing to work long hours, non-unionised, uneducated and unable to complain to the authorities.

The inclusion of children in the workforce has often been justified on the grounds that their 'nimble fingers' are able to undertake tasks that adults are unable to complete. This has been a popular and ostensibly logical argument for tasks such as rug-making and bead-threading. However, it has now been largely discredited; the finest rugs with the smallest knots are made by skilled adult workers, and not by inexperienced children.

#### 1.5 What are the causes of child labour?

The causes of, and attitudes towards, child labour are complex and are usually rooted in cultural, social and economic structures and traditions. A number of particularly important factors can be identified, as follows:

##### Poverty

The World Bank has shown that there is a close correlation between Gross Domestic Product (GDP) per capita and the

1. Ashagrie, K., *Statistics on Working Children and Hazardous Child Labour*, 1998, Editor. International Labour Office: Geneva.

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incidence of child labour. In countries with a GDP per capita of \$200, children make up over 10% of the total work force. At \$500 per capita the proportion falls to 5%. At \$5,000 per capita the figure falls to around 2.5%. This relationship is confirmed by the ILO which has shown that the more elementary the nature of the economic activity undertaken within the country, the larger the relative size of the child labour force. Less industrialised countries tend to have a higher demand for agricultural and less skilled workers than do industrialised countries, and this demand may be readily met by the use of child labourers.

The relationship between poverty and child labour is not, however, a simple one. Issues such as income distribution, fertility, education, malnutrition, the status of women, together with the structure and framework of the economy can all affect the likely incidence of child labour. However, whilst the economic status of a country may create a climate that encourages child labour, basic human need may provide the catalyst that causes families to send their children to work. According to the World Bank, more than 1.3 billion people currently live on less than \$1 per day - the internationally defined poverty line. [1]. It is estimated that children contribute 20 to 25% of the income of the families within this group [2]. Given that in these families most of the family income is spent on basics such as food and shelter, it can be seen that here the child's contribution is a necessity, not a luxury.

### **Absence of primary schooling**

The absence of universal, free, compulsory and non-discriminatory primary schooling deprives children of their best opportunity to avoid the risks and deprivation associated with child labour. Primary education ensures that children are physically removed from the work place for at least a few hours a day and provides an opportunity for the child to gain the skills and knowledge needed to break away from the cycle of poverty.

Education can help overcome the tendency for poor regions to be centres of child labour. The State of Kerala in India, for example, combines a very low level of income with a low level of child labour. This is widely attributed to its provision of almost universal primary education. However, provision of primary education alone does not guarantee a reduction in child labour. The local social climate must also encourage families to take advantage of education where it is available.

1. International Labour Office and U.N.C. Fund. *Strategies for Eliminating Child Labour: prevention, removal and rehabilitation. in International Conference on Child Labour 1997*, Oslo.
2. International Labour Organization, *IPEC: finding out about child labour*, 1998, ILO.

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#### Social structures and attitudes

Social attitudes can be a significant factor influencing the prevalence and nature of child labour. In almost all societies, certain groups suffer discrimination with some children being treated more favourably than others. In some cases this can lead to the favoured child receiving an education, whilst the less favoured child enters the workforce. In many societies, it is believed that time spent on the education of girls and children from poor or low status/low caste families is wasted. A working life, whether paid or unpaid, is seen as the appropriate future for such children from a very early age. The attitude of some employers, who stand to benefit from such low cost labour, helps to reinforce this cycle of deprivation. Where such attitudes are deeply ingrained, they may present a significant obstacle to those seeking to eradicate child labour.

It can be seen therefore that there exists a range of factors that combine to provide both the motivation and the opportunity for child labour.

### 1.6 What are the consequences?

Excessive levels of work undertaken by children can have detrimental consequences for the children themselves, for their parents and for the communities in which they live.

For children the consequences may be broken down into three categories; educational, physical and psychological. The developmental problems and want of future opportunity that accompany the lack of a basic education have already been highlighted.

#### Working with the family

Save the Children Fund, is active in a number of programmes in Sialkot, Pakistan, an area best known as a world centre for football stitching. Following investigative work that revealed a high incidence of child labour, SCF is now working with UNICEF and two local NGOs, Bunyard and Bait u Mal, to establish Village Education & Action Centres. These provide non-formal education and literacy training. SCF is also working, in the face of some cultural resistance, to help women continue in paid employment, thereby securing the family's earnings and reducing reliance upon child wages. (Source: International Organisation of Employers)

Physical problems can arise from working in often cramped and unsafe or unsanitary conditions. Whilst impaired growth is suffered by many child labourers, additional, more specific problems may also be faced depending on the work carried out. Respiratory diseases, for example, are common where the work place is filled with particles, as in the rug making or metal

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polishing trades. Severe cuts, even loss of a limb, may be suffered from using knives, machetes or unguarded cutting equipment. Sight can be irreparably damaged by spending years working in poorly lit conditions.

Extended periods spent working in such poor conditions can in themselves cause long-term emotional and psychological problems. However, it is those children at risk of sexual or deliberate psychological abuse that may experience the greatest psychological damage. Children in domestic service, children working away from home and children in the sex trade, are most likely to suffer the long-term trauma of such abuse.

Child labour has consequences for adults too. There is an emotional cost when children work far from home, as the bond between child and parent can become strained or irreparably broken. There is also a potential financial cost. The availability of a very cheap labour force may suppress local wages and may ultimately contribute significantly to adult unemployment. Ironically, this can lead to an ever greater reliance upon child income, possibly even causing children to be removed from school, thereby creating a vicious circle.

### **1.7 Do the governments of countries with a high level of child labour care about what is happening?**

Many such governments are indeed concerned about the issue, recognising the long-term detrimental impact of child labour on the country as a whole. However, the countries where the problem is most prevalent are often the poorest, and thus limited in what they can do by the resources available to them.

However, it is not simply a question of funding. Authorities working to overcome child labour may also face resistance from affected communities, where children are traditionally seen as an acceptable component of the workforce, and from those with a vested interest, such as the owners of the factories and farms where the children work. Corruption within local law enforcement agencies can also hinder the effective application of any policy that might be introduced.

Furthermore, in the short term, the economic case against child labour may not be completely clear cut. As countries compete for global investment on the basis of labour costs, the inclusion of low-waged children within the workforce may seem to represent an efficient means by which to find a place on the international economic stage. This issue is discussed further in section 2.2.

## Section 2

### International issues in child labour

#### 2.1 The legal framework

The first point of regulation for child labour is the national legislation of each country. Although specific requirements may vary significantly, almost all countries have laws that define the minimum age at which children may enter the workforce, together with schooling regulations, work place regulations and more.

However, child labour is also the subject of a variety of international conventions and recommendations, foremost amongst which are the instruments of the International Labour Organisation (ILO).

#### Old enough to work?

The age at which it is deemed acceptable for children to undertake certain tasks varies from country to country. In 1991, age limits included the following:

- 12 years:** Egypt seasonal work, Benin - light agriculture, Senegal - seasonal work
- 13 years:** Denmark - shop assistant, Tunisia & Switzerland - light non-industrial
- 14 years:** Cyprus - construction, India - explosives, Sri Lanka - street trades
- 15 years:** Thailand - bars, Italy - machinery in motion, Dominican Republic - mining. (Source: Conditions of Work Digest Vol 10, No1, 1991, Part II, Annex ; quoted UNICEF, The State of the World's Children 1997)

#### International Labour Organisation

The ILO was founded in 1919 and in its first year of operation set itself the goal of abolishing child labour, adopting the 'Minimum Age (Industry) Convention' which prohibited work by children under 14 years. Since then, 20 Conventions and 10 Recommendations have been endorsed by ILO member states [1], the most significant of which is the Minimum Age Convention, 1973 (138) and its associated Recommendation,

1. Bureau of Statistics & International Programme on the Elimination of Child Labour, *Methodological child labour surveys and statistics*, 1997, International Labour Organisation: Bureau of Statistics: Geneva.

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1973 (146). The key requirements of ILO 138 on member states are to:

- pursue a national policy to abolish child labour
- set a minimum age for admission to work (including both work for another person or for himself / herself)
- gradually increase the lower age limit on work to a level 'consistent with the fullest physical and mental development of young people'.

At the time of writing, Convention 138 has been ratified by 84 countries. This includes four Asian countries [1].

In June 1999, the ILO revisited the issue of child labour. At the 87th Session of the ILO, a new Convention concerning the prohibition and immediate elimination of the worst forms of child labour, together with an associated Recommendation, were unanimously adopted. Convention 182, 'Worst Forms of Child Labour Convention 1999', addresses the extremes of child labour such as slavery, debt bondage and child prostitution and calls for 'immediate and comprehensive action for the elimination of the worst forms of child labour' [2].

### United Nations

Although the ILO Conventions offer the most direct and comprehensive commitment to the elimination of child labour, other pertinent documents include the United Nations Universal Declaration of Human Rights and its two underlying Covenants. The first, the International Covenant on Economic, Social and Cultural Rights, calls for compulsory free primary education, whilst the second, the International Covenant on Civil and Political Rights, prohibits slavery, servitude and forced labour and calls for the protection of minors. Further details about these instruments can be found in the Primer 'Business and Human Rights'.

The United Nations Convention on the Rights of the Child is of special relevance to child labour. This enshrines for children rights such as primary education, freedom of association, freedom of thought, rest and leisure, participation in cultural and artistic life. It seeks to protect children from any threat that might be hazardous to them or be harmful to their health, education, physical, mental, spiritual or social

1. International Organisation of Employers, *Employers' Handbook on Child Labour: A guide for taking action*. 1998, Geneva: IOE with Bureau for Employers' Activities and International Programme on the Elimination of Child Labour.
2. International Labour Organization, *Proposed Convention on the prohibition and immediate elimination of the worst forms of child labour. - ILO 87th Session Report IV(1)*, 1999, ILO.

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development. It expressly addresses child labour in Article 32, calling for countries to: define a minimum age for admission to employment; regulate the hours and conditions of employment and apply sanctions to ensure enforcement of employment legislation. The Convention on the Rights of the Child has been ratified by all countries of the United Nations, except the United States of America and Somalia [1].

#### A century of change

Key legislative landmarks in the international reappraisal of child labour include:

- 1919:** ILO Minimum Age (Industry) Convention No.5: Establishes 14 years as the minimum age for industrial work
- 1930:** ILO Forced Labour Convention No. 29: Provides for the suppression of forced labour in all its forms
- 1966:** UN International Covenant on Civil and Political Rights: Article 8 confirms that slavery and forced labour are unacceptable
- 1966:** UN International Covenant on Economic, Social & Cultural Rights: Article 10 seeks protection for young people from economic or other exploitation and requires each State to set a minimum employment age
- 1973:** ILO Minimum Age Convention No. 138: Introduces an obligation to ensure that children are not employed at an age younger than that for completion of compulsory schooling. Associated Recommendation 146 calls for countries to raise minimum employment to 16 years.
- 1989:** UN Convention on the Rights of the Child: Affirms the child's right to the full range of civil, political, social, economic and cultural rights, including protection from work that is counter to the child's interests.
- 1999:** ILO Worst forms of child labour Convention No.182: addresses the extremes of child labour calling for their immediate elimination

#### International Programme on the Elimination of Child Labour

Whilst legal instruments help to define internationally acceptable standards of behaviour with regard to working children, the complexity of the problem makes achieving these standards very difficult, particularly for resource limited

1. International Organisation of Employers, *Employers' Handbook on Child Labour: A guide for taking action*. 1998, Geneva: IOE with Bureau for Employers' Activities and International Programme on the Elimination of Child Labour.

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countries. In 1992, the ILO launched the International Programme on the Elimination of Child Labour (IPEC). At an international level, IPEC seeks to contribute to a worldwide movement against child labour by providing information and support. At a national and a community level, IPEC helps to raise awareness and understanding of the issue, and to find appropriate ways of eliminating the worst forms of child labour, taking into account the social and economic circumstances of the country in question. Funded by 18 donor countries, IPEC now has projects in over 50 countries worldwide [1].

#### Working children speak out

International meetings have been organised to enable working children to voice their concerns. For example, in 1998, representatives of the Movements of Working Children and youth of Africa, Latin America and Asia met in Dakar (Senegal). The Dakar Declaration presents the decisions taken by the International Movement of Working Children.

#### *The Dakar Declaration*

1. We will ask the ILO to give us a chance to speak during its upcoming conference in Geneva so we can express ourselves on the convention on the 'intolerable forms of child labour'
2. We are against prostitution, slavery and drug trafficking by children. These are CRIMES and not WORK.
3. The decision makers should distinguish between work and crime.
4. We are fighting every day against hazardous work and against exploitation of child work.
5. We are also fighting for the improvement of life and working conditions of all children in the world.
6. We want all the children in the world to have, one day, the right to make a choice between working and not working.
7. Work should be in accordance with the capacity and development of each and every child and not depend on his/her age.

1. International Labour Office, *Operational aspects of the International Programme on the Elimination of Child Labour (IPEC)*, in *Committee on Technical Co-operation*, ILO. 1998.

The nature of the projects varies from country to country according to specific needs. Details can be obtained from the IPEC web site, the address for which is listed on page 27.

### 2.2 Globalisation and child labour

The increasing globalisation of the world economy brings both benefits and drawbacks for working children. Foreign Direct Investment (FDI) by major companies can help create jobs, increase export earnings and ultimately alleviate the poverty that is so closely linked with child labour. However, countries trying to encourage FDI may seek to gain competitive advantage over rival investment locations by offering the lowest possible cost of production. This may involve providing a cheap and compliant workforce, an increasing proportion of which may be children.

#### The Harkin Bill - a case of unintended consequences?

In 1992 Tom Harkin, a US Senator sponsored by a major trade union, put forward the 'Child Labor Deterrence Act' which sought to prohibit the import of goods manufactured wholly or in part by children under the age of 15 [1]. During 1993, although the Act was still only a discussion document, over 50,000 Bangladeshi children were dismissed from their jobs [2], by employers anxious not to lose lucrative export contracts. UNICEF and Save the Children Fund suggest that the majority of these children moved into less well paid and more hazardous occupations [3], although some sources suggest that around 8,000 of them may subsequently have enlisted in school [2]. The situation was particularly difficult for girls, who comprised around 80% of the sacked workforce. The Harkin Bill deprived them of the opportunity to earn money working with their mothers within the comparative protection of the factory gates, and the social mores prevalent in Bangladesh at that time denied them the possibility of education.

The Harkin Bill concerned unilateral action by one rich country and so is not truly analogous to the introduction of a social clause on a multilateral basis. Yet it does provide some indication of the unforeseen consequences that could arise from blanket international action that is insensitive to local needs. Whether the original intention of the Harkin Bill was humanitarian or protectionist, the consequence for children seems to have been predominantly negative.

1. Durai, J., *Helping business to help stop child labour*, 1996, Anti-Slavery International: London.
2. Alam, S., *Thank you, Mr Harkin, sir!* in *New Internationalist*. 1997.
3. Save the Children Fund, *A labour of necessity*, in [www.oneworld.org/textver/scfchildlab/feature.htm](http://www.oneworld.org/textver/scfchildlab/feature.htm). 1998.

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Although only about 5% of the world's child labour force is thought to be engaged in export sector industries [1], it is nevertheless a significant and visible problem. This has prompted discussion in the context of international trade negotiations, concerning the introduction of a 'social clause' to international trade agreements. Such a clause would result in the imposition of penalties on countries or companies failing to observe core labour standards, such as ILO Convention 138.

Proponents of a linkage between trade and labour standards include trades unions, some NGOs and a range of governments, primarily from developed countries. Noting that 'as the global free trade agenda becomes a reality, sustainable and equitable development risks being undermined in the name of cut-throat competition', they see introduction of some form of punitive measure, such as trade sanctions, as essential [2]. This would ensure that one country does not 'undermine another by abusing basic {labour} standards'. Those against such a linkage, including the International Organisation of Employers and the governments of many developing countries, see it as potentially protectionist, and observe that enforcement could draw the World Trade Organisation into matters of domestic governance. Furthermore, those in favour of self-regulation point towards the negative consequences that a blanket ban on child labour could have for developing countries in general and for the child workforce in particular.

The case for and against attempts to eradicate child labour through compulsory means remains unclear, as the example of the Harkin Bill illustrates (see box). However, despite the divergence of views concerning appropriate means, there exists a consensus that the international community must act swiftly and effectively to address the worst excesses of child labour wherever they are found.

1. UNICEF, *The State of the World's Children*, . 1997, Oxford University Press: Oxford.
2. ICFTU, *No time to play: child workers in the global economy*, 1996, 16th ICFTU World Congress.

### Section 3

## Child labour - the role of business

### 3.1 Is child labour really an issue for businesses?

Child labour is an ethical issue for the global community, including businesses. The primary responsibility for eliminating child labour may be seen as lying with national governments and international bodies such as the ILO and UN. However, as the discussion on globalisation has shown, international businesses are one element in a complex set of factors that can result in or conversely help reduce, child labour. As part of the global community therefore, businesses have an obligation to take responsibility for the influence that they wield.

#### A role for trade associations

A number of regional and national trade associations and employer bodies have begun work to help member companies tackle the problem of child labour. The Employer's Confederation of the Philippines, for example, started an awareness raising programme in April 1997. This seeks to provide member companies both with practical guidance on how to eliminate child labour and with a voice in the national debate on the issue. In addition it is undertaking research to examine the linkages between procurement and subcontracting policies and child labour.

However, businesses should be aware of child labour for commercial reasons too. Increasingly the public is voicing concerns regarding the issue and in today's information based societies, such concerns can be aired freely and spread rapidly. Any company found to be involved with child labour risks damage to its reputation. Whilst this may be of secondary concern to the needs of abused children, it is still an important consideration.

### 3.2 So how do companies tackle the problem?

There are three main types of approach used by companies to address the issue of child labour.

- labels which seek to ensure that a single product or product type is free from child labour.
- codes of conduct and supplier guidelines, usually tailored to the specific issues faced by that company.

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- a pan-industrial standard for social responsibility, including child labour, to which a company might seek to adhere.

### Labelling

A number of products now carry a label indicating to consumers that the product was manufactured under fair and equitable conditions and without the use of child labour. The Brazilian Footwear Industry's Pro-Child Corporate Educational Institute for example, has developed a corporate seal to endorse child labour free products, whilst the Rugmark Foundation's logo is now internationally trade-marked for use to indicate child labour free hand-knotted rugs and carpets.

Critics suggest that labelling is generally too simplistic an approach by which to combat such a complex problem. It is extremely hard to guarantee that a product has been manufactured without the use of child labour, and as has already been discussed, removing children from the workforce entirely may not be a suitable solution. However, such labels can bring benefits when they are supported by a rigorously applied audit process.

#### The Rugmark

Rugmark is a voluntary scheme that seeks to control the worst excesses of the rug and carpet industry by encouraging loom owners to register their looms and hence qualify to apply the rugmark to their product. Loom owners must:

- commit to working without illegal child labour
- provide a comprehensive list of all looms in their company
- pay at least the minimum wage
- have at least one third of all looms inspected before acceptance within the scheme
- agree to unannounced inspections
- contribute 1% of export revenue into a central fund to rehabilitate and support exploited children

Once accepted each carpet is labelled with a unique reference, enabling the ultimate buyer to contact the Rugmark Foundation and verify the exporter, the type of carpet and the loom on which it was made.

### Codes of conduct and supplier guidelines

These have proved to be a popular approach to the problem, with many companies having introduced their own guidelines. Some NGOs have developed, or provide advice on developing, such codes.

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#### Code of conduct in action

Clothing company C&A, has developed a supplier code of conduct which expressly states that exploitation of child labour is 'absolutely unacceptable'. The code is a legally binding requirement for each merchandise order, and is enforced by SOCAM, an independent audit company originally established by C&A. SOCAM auditors are required to have a detailed understanding both of the garment industry, and of the region or country in which they will operate; often they will be of the local nationality. Audits are unannounced; detected infringements of the code lead to varying types of sanction from a warning, through contract suspension, to removal from the company's suppliers list. (Source: C&A)

In the absence of external monitoring and verification, codes of conduct may be seen as, and indeed prove to be, little more than rhetoric and may even prove counter productive if introduced without sufficient thought. However, codes of conduct can be useful when introduced by companies with a detailed understanding of the complexities of child labour.

#### Standards

The Council for Economic Priorities, a US based organisation, has developed a new standard called Social Accountability (SA) 8000. Produced in consultation with a variety of blue chip multinationals, primarily in the retail sector, the standard provides guidelines for company performance regarding a wide range of human rights issues, including child labour. SA8000 is significant as it provides the first serious move towards a pan-industrial standard. However, there remain significant concerns as to how useful a prescriptive standard can be in tackling the complexities of problems such as child labour.

Each of the three approaches offers a different mechanism by which to avoid the exploitation of children in the workforce. The common characteristic of the three is that to be fully effective, each approach also requires some form of audit activity. This in itself presents a problem, as the next section illustrates.

### 3.3 Can auditors really ensure that children are not involved in the supply chain?

No, not completely. Establishing whether child labour exists at a given site may be difficult. Verifying performance is a key part of the process, but is much more complicated than it sounds. Problems faced by auditors include:

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- physical violence against auditors, particularly where the audit has revealed problems
- use of false identity cards for underage workers
- complex 'lay off' arrangements, in which the source of the product becomes almost untraceable
- inaccessibility of the site to be audited
- complex company structures, enabling a legitimate company to pass off a nonlegitimate supply source, such as a prison, as one of its departments
- gender issues; in many cultures, the auditor must be the same gender as the interviewee
- linguistic problems; arising through mistranslation or from the use of staff speaking regional dialects, or other languages.

### 3.4 What lessons can be learned from the experience of other companies?

Perhaps the most important lesson is the need to recognise the complexity of the problem, together with the potential ramifications of any action taken. Experience illustrates that different groups in society may perceive the problem of child labour in very different ways. Indeed, sometimes these views may be in conflict and this could present a company with a dilemma.

#### Overcoming the audit challenge

Some of the approaches used to overcome problems faced whilst auditing supplier codes of conduct include:

- use of UNICEF growth charts to assess a child's age
- questioning children on their work at school, rather than asking their age
- use of illustrated booklets to explain health and safety issues to illiterate workers
- inclusion of local NGOs in the audit process

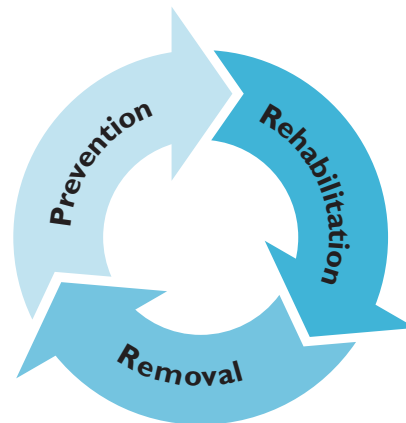
Take for example a company that prioritises the views of its customer stakeholders. Where customers demand that the company 'stop using child labour', as has happened with some retailers, the company might concentrate on ensuring that children are not employed at its own or its suppliers' premises. The company might see such a move as necessary in order to

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avoid any association with child labour, thereby preserving its reputation with customers. The risk with such a response is that simply removing children from the workforce, and therefore taking away their income, may have predominantly negative consequences, possibly leading to the child becoming involved in more hazardous work than before.

A company which focuses on the needs of its supplier and local community stakeholders might well have a different response to the same problem. Rather than seeking to eliminate all work undertaken by children, it might choose instead to change the nature of the work, in line with ILO recommendations and ideally in consultation with a local community based organisation. The risk with this approach is that although the children may benefit from restructured working hours and conditions, the company may be exposed to allegations of exploitation from quarters where the complexity of the child labour issue is not understood.



### Eliminating child labour demands an integrated approach

The simple example outlined above demonstrates that any response to child labour must be clearly thought through, with the views of many different stakeholders being taken into account. Wherever the role of children is to be changed, whether it is to be eliminated, or reduced in scope, the benefit to both company and child will be greatest if the changes are introduced in a controlled fashion, possibly over a period of time. Whatever the response, good communication with all affected stakeholders will be essential.

## 3.5 Is this relevant to Shell companies?

The SGBP include a commitment to support fundamental human rights. Child labour denies children a variety of the human rights to which they are entitled. It is important therefore that Shell companies make their policy and practices with regard to child labour clear.

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Admittedly, the extent to which a Shell company might be exposed to child labour during the course of its extractive operations is minimal. However, Shell companies are engaged in numerous activities that depend upon an enormously complex supply chain. Take for instance, the range of products sold through forecourt retail outlets. Furthermore, purchasing is not limited to goods for re-sale. Each Shell company consumes large volumes of supplies of one form or another: food, office supplies, tools, furnishings - the list is almost endless. Each purchase has the potential to expose the purchaser to the issue of child labour.

Of course a Shell company's ability to influence a supplier's behaviour will depend on a range of factors, such as the nature of the product being sourced, the total contract value and the type of change the company is seeking.

### 3.6 Where is Shell most likely to encounter child labour as an issue?

As a multinational Group with a diverse range of commercial interests, Shell companies operate in many of the regions and industries where child labour is concentrated. Having considered the causes of child labour, that knowledge can now be applied to identify the 'higher risk' areas.

First, the problem can be considered on a region by region basis. South and East Asia together account for over 60% of the world's working children. Thus the workforce of suppliers based in the less developed countries in this region merit close attention. However, given that the rate of growth of child labour is greatest in Africa, Shell companies based in or sourcing from this area must also exercise caution.

#### Collaboration - a way forward

Resolving the complex problem of child labour demands collaboration between the many involved parties. These include, but are not limited to:

- International trade and governmental bodies
- National and local Government
- Trade associations / Employers' bodies
- Individual companies
- Local community groups
- Educational groups
- Human rights organisations
- Micro-credit organisations

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Second, knowing that the worst forms of child labour tend to be concentrated in certain industries, it is sensible to examine the company's purchasing on a sector by sector basis, so the possible areas of risk may be identified. Sectors with a particularly high incidence of child labour include: agriculture, gemstone extraction and finishing, manufacture of surgical instruments, sporting goods and textiles [1]. Companies having links with any of these sectors may therefore find themselves particularly exposed. On an individual basis, Shell company employees should also take care to ensure that domestic helpers are employed only in line with ILO Convention 138.

Considering child labour on a regional and industrial basis provides only a rough indication of where to look for child labour. More detailed information is needed on a case by case basis - and Shell company managers are well-placed to gather such information. Shell companies can respond to local needs in their markets across the world and this 'multi-local' approach should enable managers in each area to develop a thorough understanding of local issues. Ultimately therefore, it will be the quality of local knowledge that will ensure that Shell companies can identify and tackle child labour issues.

### 3.7 Guidance for Shell company managers

In the policy debate on the role of business and human rights, there is increasing attention given to the different elements of human rights that businesses are expected to address. Thus the human rights of children, in particular child labour, where the focus has hitherto been on practices in retail goods manufacture (especially clothing, footwear and toys) is becoming an issue to which other business sectors are expected to respond.

The object of this primer is to raise awareness among Shell company managers of child labour as a human rights issue and to provide information to help them develop an appropriate response in the context of their particular country and business sector. It is particularly important that managers understand the need for an appropriate and measured response to child labour. Experience has shown that a poorly thought through response, however well intended, may in fact prove detrimental to the children involved.

The primer may also be used as a tool with which to engage key government, NGO and other contacts on this issue. A starting point for such discussions are the SGBP, with their specific commitment to support fundamental human rights. The primer 'Business and Human Rights' looks at what we mean by this commitment, while the current document unravels the issue still further.

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In these discussions it may be worth pointing out that the primers were drafted by experts in the field of human rights. These drafts were then shared with various interested NGO, trade union and UN contacts as well as with Shell company employees, before the final text was published.

In responding to this issue, managers will need to have a good understanding of the environment in which they operate so as to identify possible vulnerabilities. In a country where child labour is widespread, close scrutiny of contractors' employment practices is advisable. Where a Shell company sources goods from such countries, the focus should be on supply contracts. In any event, care must be taken to ensure that any actions do not simply result in 'shifting the problem elsewhere'. Should a Shell company be faced with a child labour issue in its operations or those of its major suppliers or contractors, it may be helpful to seek a solution in co-operation with relevant stakeholders such as human rights experts.

The note 'Implementation of Business Principles - Contractors and Suppliers' (available on the internal SGBP website) is a useful starting point for considering child labour issues 'down the supply chain'. The note:

- reminds Shell companies of their obligations to promote the application of SGBP among contractors and suppliers and to report any significant problems in this area via the annual SGBP letter process
- sets minimum expectations for major contractors/suppliers with regard to respect for human rights of employees, business integrity, HSE and legal compliance and the right to audit
- offers draft contract clauses, eg on contractors'/major suppliers' obligations vis-a-vis the human rights of their employees
- suggests practical steps in engaging with existing and new contractors/suppliers pre-and post contract award.

When drawing up model conditions of contract and purchase, reference may be made to ILO 138 and the UN Convention on the Rights of the Child (especially Article 32). (Observance of national laws is a pre-requisite of course.) Similar requirements may be demanded of the main contractors' sub-contracts.

In selecting contractors/suppliers, due diligence exercises on their business ethics should include a specific focus on child labour and the results reported to the tender board. After the contract has been award, checks may be made to ensure the agreed ethical standards are being met.

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In addition to addressing contractor and supplier aspects of child labour, Shell companies can also support wider efforts to alleviate child labour through their broader social investment activities. Working in partnership with relevant governmental and non-governmental organisations, such programmes would typically aim to address some of the more structural causes of child labour, as well as seek to enhance the rights and opportunities of those engaged in child labour. Examples could include providing support for alternative livelihood opportunities for the parents of children engaged in child labour, promoting the skills development and organisational capacity of child labourers, and supporting development and implementation of appropriate legislation protecting the labour rights of children.

#### **Shell company anti child labour practices**

As stated in The Shell Report, all Shell employees are above the local legal age of employment and none is under 15 years old. Many Shell companies include specific anti child labour clauses in the contracts they draw up with their suppliers and contractors. Shell companies are increasingly screening contractors and/or suppliers against the use of child labour.

The following are just a few examples of the practical ways in which Shell companies are responding to this issue.

*In Brazil*, contracts with distilleries supplying Shell Brasil with alcohol for gasoline include an anti child labour clause. The company received special recognition for its efforts to combat child labour. (See box)

*In Sweden*, Svenska Shell's General Conditions of Purchase require suppliers to 'ensure that the ILO's regulations on Child Labour are observed in the production of the products and services covered by these conditions.'

*In the Netherlands*, Shell Nederland Verkoop Maatschappij (SNV - a Shell marketing company) requires that the company's general purchasing conditions, its HSE and welfare policy and the SGBP form an integral part of all contracts. Where SNV believes there may be a risk of child labour, a specific clause is included in contracts requiring an importer to guarantee that the imports made on behalf of the Shell company were not produced using child labour and that on request, certificates to this effect can be produced. Even if such guarantees are given, SNV still retains the right to make on the spot checks, and may enlist the help of the Shell company in the country where the suspected imports originated.

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*In France*, suppliers who import goods from certain countries (eg footballs from Pakistan) for the Shell company's customer loyalty scheme in service stations, are required to produce a certificate which guarantees that no child labour has been used to make these goods. The company also includes a 'human rights' clause in its purchasing contracts with companies sourcing from certain countries. This clause includes a reference to Article 32 of the UN Convention on the Rights of the Child.

#### Tackling child labour in Brazil

Since the 1970s, Brazil has been reducing its dependence on imported oil by adding alcohol to gasoline. By law, fuel distributors are obliged to offer for sale gasoline that is mixed with a certain amount of alcohol. In general they use alcohol from sugar cane produced by independent local distilleries.

Sugar cane harvesting provides a valuable source of income for many migrant families. Although the national minimum working age in Brazil is 14 years, many children below that age are working in the sugar cane fields. In Brazil, like everywhere else, most people are against child labour. At the same time the level of poverty in some areas of the country makes the problem very complex, and the solution is not immediate, nor easy.

Shell Brasil operates some 4000 gasoline retail stations and as a distributor it has to buy alcohol from distilleries. Shell Brasil itself does not employ children. In July 1999 it became the first gasoline distributor in Brazil to introduce to its contracts with distilleries a clause stating that

*the SUPPLIER is obliged to adopt and respect in full Shell's General Business Principles and to conduct its activities in total agreement with these Principles. In this context, and in line with applicable legislation, the use of child labour is absolutely unacceptable, and the SUPPLIER is forbidden to adopt such practice.*

If any supplier is found using child labour, Shell Brasil will terminate the contract, even though that may cause financial and economic losses to the company.

In September 1999 the Brazilian Toys' Industry Association - ABRINQ, awarded Shell Brasil the distinction of 'Child's Friend Company' for its efforts.

Says Oded Grajew, President of ABRINQ and ETHOS Institute 'It was a courageous, ethical and socially responsible decision Shell made. I am sure this attitude will help many Brazilian children to be honourable citizens in the future.'

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*In Egypt*, all Shell Egypt's contractors and suppliers were sent a letter from the Chairman in 1999 reminding them of their obligations under SGBP and asking them to write confirming that they are complying with the local labour law in respect of the employment of Juveniles and that they do not pay bribes.

*In Syria*, the law broadly states that persons under 18 may not be employed but it does make some provision for light labour for children above the school leaving age of 12. Out of a concern that children between those ages might be employed by its contractors, Syria Shell Petroleum Development includes an anti child labour clause in its contracts and conducts follow up checks through site visits.

*In Thailand* all contractors should comply with local law that prohibits the employment of children under 15. If a contractor employs someone between 15 and 18 years old, he must submit a report to the labour department confirming that the person is not working overtime, night shifts or during holidays.

Shell companies also address the child labour issue through their broader social investment activities. For instance:

*Shell Pakistan* supports a Human Rights Education Programme run by an NGO, which aims to contribute towards the development of a humane society by providing children with a socially relevant and human rights-sensitive education.

Shell companies in *Venezuela* and *Thailand*, are working with the International Youth Foundation and local partners to build the business skills and technical capacity of disadvantaged young men and women, to increase their livelihood opportunities and ability to participate in their local economies.

#### Toys and Shell

Many Shell companies use toys as promotional items to increase their sales and build brand awareness. A growing number are sourcing these toys from a central global promotions department. This department negotiates licences with well known companies (such as LEGO®) and draws up terms and conditions for all participants in the supply chain, including the manufacturer. These terms and conditions include a clause prohibiting the use of child labour. Site visits and audits are conducted to ensure compliance. Participating Shell companies benefit from the efficiencies that such global purchasing brings and the knowledge that the products meet the highest safety standards and have not been produced using child labour.

## Sources of information

### Shell

For a general discussion on business and human rights, including the text of the primer 'Business and Human Rights', visit <http://www.shell.com>.

### International

#### International Labour Organisation

The ILO website provides access to all ILO Conventions and Recommendations, together with detailed statistics addressing a variety of aspects related to child labour.

<http://www.ilo.org>

Details of the IPEC can be found at:

<http://www.ilo.org/public/english/90ipc/index.htm>

#### United Nations

The United Nations provides a variety of relevant information at its human rights website:

<http://www.unhcr.ch>

Its global compact website <http://www.unglobalcompact.org> sets out principles relating to human rights, labour standards (including the effective abolition of child labour) and the environment which the UN encourages business to embrace and enact.

#### Unicef

Unicef focuses on the importance of education as a basis for social development and equality. The site provides downloadable copies of the UNICEF annual report 'The State of the World's Children', which includes detailed statistics concerning child welfare on a nation by nation basis. The site also includes the full text of and commentary on the UN Convention on the Rights of the Child.

<http://www.unicef.org>

#### World Bank

Detailed statistics are provided on all aspects of international development, including issues such as poverty, childbirth, education etc.

<http://www.worldbank.org>

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### Organisations with an interest in child labour

This is a small selection of the groups having an interest in child labour. Each is an example of a broad category of organisation having a particular interest as follows; human rights, children, religion, trade unionism. Each of these sites provides links to other groups.

#### **Anti-Slavery International**

ASI is the world's oldest human rights NGO and was one of the first groups to campaign actively for the eradication of child labour. Particularly informative concerning slavery and debt bondage issues.

<http://www.anti-slaverysociety.org>

#### **Save the Children Fund**

Actively involved in children's rights on a world-wide basis, SCF has played a leading role in bringing child labour to public attention.

<http://www.oneworld.org/scf>

#### **Christian Aid**

The official relief and development agency of 40 Church denominations in the UK and Ireland, Christian Aid seeks to combat the root causes of poverty.

<http://www.christian-aid.org.uk>

#### **International Confederation of Free Trades Unions (ICFTU)**

A global coalition of trades unions, ICFTU has published a number of reports and papers addressing child labour on a per country and per industry basis.

<http://www2.icftu.org/campaigns/childlabour>

SIPC would like to thank those responsible for preparing this document and those who commented on it, in particular:

Gemma Crijns of Amnesty International (<http://www.amnesty.org/>)

Floor Nelissen and Hans Bruning from the Dutch Trade Union Confederation CNV (<http://www.cnv.nl>)

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