Synopsis

The discovery of child labour in corporate supply chains at first appears a simple problem to solve: just stop doing it. But, as the author lays out, it's not so simple, especially once you take into consideration the responsibility companies have, the interests of the children, their communities and host governments. Intergovernmental organizations are trying to tackle this thorny issue by encouraging sustainable practices and dealing with root causes.

what to do when you discover Child Labour issues in your supply chain

by **Alan** Franklin

introduction

Companies are exhorted to conduct human rights due diligence whether because of legal requirements, soft laws such as the OECD Guidelines for Multinational Enterprises or concepts of Corporate Social Responsibility (CSR) but rarely is cogent advice offered on the steps to take when child labour is found in the supply chain.

The common corporate response is to require suppliers to fire the child workers so the company can report that the remediation was effective - no child labour in the supply chain. This was the solution adopted by many retailers after the Rana Plaza disaster[1] when human rights issues became a global focus.

The sanguine belief was that these children would go "back" to school and revive their childhood. This was absurd at the highest level, as the reason for the child labour is not that retailers buy the goods from these suppliers, thereby creating child-employment, but rather that the children generally have no option but to work[2].

The children were fired from the garment factories, but the results were quite disastrous for the children. Many went to work for glass factories (very unsafe under extreme heat conditions) or ended up on the streets as beggars, but retailer corporate reputation was enhanced.

1 / On 24 April 2013, the collapse of the Rana Plaza building in Dhaka, Bangladesh, which housed five garment factories, killed at least 1,132 people and injured more than 2,500.

2 / The reality of this issue is encapsulated in the quote from The UNICEF Netflix series Tales by Light "We haven't met a child that hasn't had to work." (referring to children filmed for the series on child labour). In many countries, free education for the poor does not exist or is of such poor quality that no education is provided.

traditional approaches and new questions facing companies

Simplistic solutions are often promoted such as that the company engages in certification systems, audits, SWAT teams, and finding new suppliers that do not use child labour. These are potentially helpful acts to reduce reputational and legal risk but leave the child labourers worse off in many cases. (Shah, 2021)

The questions for the company therefore are whether they feel responsible, legally, or morally, to help those children directly. If so, what can be done for the children if they are removed from the factory? Generally, children work because their families are poor and need the meagre income from that child to put food on the table. Some companies have taken the responsibility to establish classrooms for the children, so that they can learn while they work. Is that a reasonable action on the part of a business which exists to earn profits? Should it now be obligated to take on the responsibility for these children whose problem is primarily related to the government's failure to comply with its human rights obligations to its own citizens?

Moreover, the lack of educational facilities is often a direct result of conscious efforts by the host state government. "The political will to provide universal education may also be absent in undemocratic societies, if ruling elites fear that an educated population will be better equipped to challenge them." (Hillman, 2004) Thus, efforts by the company to provide education opportunities to the poor children may be viewed negatively by the state, thereby jeopardizing the relationship of the company with the host state government.

Another potential action is for the business to arrange for the children to be fired from their work, but the company takes on the economic responsibility for that child for a year, to replace the income that the child would have earned by working. Again, should this be seen as the obligation of private business? For smaller companies, this economic responsibility may be a prohibitive cost.

the role of governments and intergovernmental organizations

The United Nations General Assembly made 2021 its "International Year for the Elimination of Child Labor by 2025," expressly providing businesses with the impetus to partner with governments and communities. Without the assistance of NGOs, international organizations and home state governments, this goal will likely fail. The preferable solution may be to work with NGOs, inter-governmental organizations such as UNICEF, UNDP and the home state government to help the host state government "solve" these problems of child labour in their states.

While business engagement with the local community is often seen as a positive step, it is fraught with potential pitfalls. Often, the community will see any attempts by business to eliminate child labour as inimical to the community itself, as families must rely on their children working to provide sufficient income for survival. Although they may prefer to have their children in school, the loss of the child's income makes it unattainable – it is dependent on their government to provide the budget to achieve this end. Also, companies engaging with the community may spark anger of the government towards the company for "interfering in internal matters of the state."

Apple: a case study

An example from Apple is illustrative of the realities of the issues. They took 3 years to cut ties with a supplier that used underage labour. Apple discovered this issue during audits of the supplier and decided it should act to eliminate the child labour, because its corporate code of conduct said that it would not tolerate child labour in its supply chain. The suggestion from ex-Apple employees was that the company could not cut the supplier off due to child labour until it found alternative suppliers able to provide the quality products. The reality is that if a supplier provides the quality of goods demanded by the purchaser, on time, and on budget, a buyer is not likely to jeopardize its business by removing the supplier "merely" because of child labour. Often there are good business reasons for this lack of action. (Ma, 2020)

steps towards ending child labour

Some suggestions from UNICEF may help to reduce child labour:

> *"Well established, responsible business and purchasing practices can help keep firms afloat and reduce child labour. Examples include long-term supplier contracts, clarity on future contracts, honouring commitments on orders and payments, fair payment schedules, and pricing capturing the true production costs and market values of products and services. Industry-wide and cross-industry collaboration must aim to cut off the roots of child labour at lower tiers of supply chains, since individual companies often have limited leverage. A wide range of voluntary, business-led initiatives have emerged in recent years in recognition of this reality.*
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> *Sustainability and effectiveness depend largely on integrating company action into existing efforts by governments, social partners, civil society and others active on ending child labour." (Child Labour, 2020, pages 67-68)*

Issues to consider regarding the foregoing advice:

If we reduce opportunities for child labour through these suggestions, will it reduce child labour or move the children to other industries, potentially even more dangerous ones, or leave them to be beggars? Either result will harm children more but reduce the reputational risks for the companies. What is the real goal? Will stable contracts, better payment provisions, and other recommended actions motivate suppliers to reduce child labour?

references

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His work with over 250 companies in Canada has allowed him to develop insights into issues of risk analysis and management on a practical level that are not well known nor discussed in the literature or at conferences. His unique insights have empowered him to provide consulting services to corporations, lawyers, accountants, banks and insurance companies. He also works closely with the World Bank, Transparency International, Canadian Institute for Mining, Metallurgy and Petroleum.