



**POLICYREPORT**

**Creating markets for  
child-friendly growth**

**Addressing child labour through  
G20 public procurement**





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Author: Nat Burke.

Manager: Susan Anderson.

Technical Advisors: Melissa Stewart, Jennifer Zerk.

Contributing Researchers: Olivia Bush, Sally James.

Senior Editor: Heather Elliott. Production Management: Katy Kee.

Copyediting: Margaret Spencer. Design: Friend Creative.

Layout: Katy Kee. Proofreading: Alan Yoshioka.

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Danine, 12, and her sister Daneth, 5, from Battambang province, Cambodia. Danine used to work in a brick factory with her parents to help earn income to support the family. Her family participated in World Vision's Social Mobilisation Against Child Labour Project.

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## EXECUTIVE SUMMARY

At the St Petersburg Summit in 2013, G20 leaders affirmed what we have long known: that for growth to be strong, sustained and balanced, it must also be inclusive.<sup>1</sup>

As a child-focused organisation, World Vision agrees that everyone should have the opportunity to benefit from economic growth, but most importantly, we believe that economic progress should never be made at the expense of a child.

The G20 represents more than 85 per cent of global GDP. More than 10 per cent of the world's children aged 5 years and above are working to the detriment of their physical, mental and economic development. In our increasingly interconnected world, the toil of 168 million child labourers can be found at nearly every stage of production of many commonly purchased items. Governments are among the world's largest and most influential consumers and, as such, the procurement policies and practices of G20 governments have a major impact on the global economy and the lives of these children.

In the lead-up to the Brisbane Summit in 2014, World Vision is calling on the leaders of the G20 to work together in developing a common approach to ensuring that public procurement value chains do not contribute to the demand for goods produced through child labour.

### Child labour and economic growth

We recognise the benefits of children engaging in light and other age-appropriate forms of work, whether that takes the form of vocational education opportunities or simply helping on the family farm or with an after-school job. Child labour, however, is **“work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development”**.<sup>2</sup> Alarming, 73 million (44 per cent of total) child labourers are between 5 and 11 years of age.

**Child labour doesn't just hurt children, it hurts the very economies that develop around them.**

These facts alone should be enough to motivate leaders to focus their efforts on addressing the many drivers of this issue, but child labour doesn't just hurt children, it hurts the very economies that develop around them. Among other negative macroeconomic impacts, child labour has been linked to:

- decreased lifetime earning potential and increased likelihood of poverty in later life;
- depressed wages, constraints on entrepreneurship and the emergence of stagnant, low-wage economies;

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<sup>1</sup> “G20 Leaders’ Declaration”, September 2013, [https://www.g20.org/sites/default/files/g20\\_resources/library/Saint\\_Petersburg\\_Declaration\\_ENG.pdf](https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf) (accessed 20 February 2014).

<sup>2</sup> International Labour Organization, “What is Child Labour”, <http://www.ilo.org/ipec/facts/lang--en/index.htm> (accessed 5 October 2013).



- increased adult unemployment; and
- discouragement of inward foreign investment.

Further, an economy's stock of human capital, which is considered to be "a more important determinant of ... long-term economic success than virtually any other resource",<sup>3</sup> is severely restricted by the long-term effects of child labour. It is no coincidence that many of the countries that rank lowest on the World Economic Forum's human capital index are among those where child labour is most prevalent.

### **Child labour in an economically interconnected world**

In our increasingly interconnected and interdependent global economy, these negative impacts are not just a problem for the countries in which child labour is most prevalent. In 2013, the leaders of the G20 identified weak growth, a lack of inclusive growth in many economies, and high unemployment as some of the most significant challenges to placing the global economy on a path to stronger, more sustainable and balanced growth.<sup>4</sup> As demonstrated in this report, each of these obstacles to achieving strong, sustained and balanced growth can be linked to, and is exacerbated by, child labour.

The important role that global value chains (GVCs) play in economic growth has been well noted at recent G20 Summits. They are a fundamental characteristic of our economic interconnectedness and interdependence. The G20 is a symbol of this, with members representing each link of complex GVCs, from product design and the extraction and processing of raw materials to the manufacturing and marketing of final products. Where once individual firms, and even entire countries, specialised in certain industries and the manufacturing of finished products, most things we purchase today can be considered as being "made in the world".

Well-functioning GVCs can help businesses reduce costs and increase profits, while also providing opportunities for emerging economies to access export markets, bringing with them the potential for job creation. However, long and complex GVCs can also hide the use of, and disperse apparent responsibility for, child labour. The enhanced opportunities that GVCs bring must, therefore, be accompanied by additional responsibilities to ensure that human rights, including the rights of children to be protected from economic exploitation, are protected and respected throughout the value chain.

As major actors in, and beneficiaries of, GVCs and the interconnected economies that have emerged alongside them, the governments of the G20 have both a responsibility and a vested interest in reducing the global market for products produced through child labour.

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<sup>3</sup> World Economic Forum (2013), "The Human Capital Report", p.1.

<sup>4</sup> "G20 Leaders' Declaration", September 2013,

[https://www.g20.org/sites/default/files/g20\\_resources/library/Saint\\_Petersburg\\_Declaration\\_ENG.pdf](https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf)

(accessed 20 February 2014).



## Why public procurement matters

In 2014, G20 governments are expected to spend between 10 and 15 trillion dollars on public procurement; this figure is almost as much as the total GDP of the United States of America. While not all of the goods or services that a government procures are going to be particularly vulnerable to child labour in their value chains, many commonly procured goods are, particularly those sourced through agricultural and industrial sectors. Approximately two-thirds of child labourers are found in these sectors, which includes work on farms and plantations, as well as in mines, fisheries, factories and foundries.

**G20 governments have an opportunity and a responsibility to use their collective purchasing power to reduce the global demand for goods produced through child labour.**

Given the scale of public procurement expenditure, governments do not just buy *in* markets, they *create* markets. As major market creators, G20 governments have an opportunity and a responsibility to use their collective purchasing power to reduce the global demand for goods produced through child labour.

## Benefits of a common approach

While some countries are attempting to address child labour in their public procurement value chains, policies tend to be largely developed in isolation and we are seeing a highly fragmented system emerge. Companies are facing different requirements in different jurisdictions, both in terms of baseline standards and verification requirements.

A common approach would address this by making it easier for businesses to better address instances of child labour across their product value chains. It would achieve this by ensuring that different national and industry-specific standards are based on the same foundational principles, thereby harmonising and simplifying due diligence and reporting requirements. This would mean that a company bidding for contracts in multiple G20 countries would face the same due diligence requirements for each bid.


A common approach would also enhance transparency and create a level playing field for companies bidding across national and municipal borders. It would also guard against child labour-related criteria being misused to advance protectionist trade agendas and provide a firm basis upon which public authorities could select appropriate certification mechanisms.

## Our call to the G20

As the leaders of the G20 governments prepare to meet in Brisbane in 2014, we ask them to take an important first step in demonstrating their commitment to the world's vulnerable and exploited children by developing and implementing a common approach to the reform of public procurement policies, which:

1. Obliges public authorities in G20 countries to introduce eligibility requirements in their tender processes that ensure that companies take sufficient steps to identify, report and address child labour at every stage of their products' value chains;



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2. Is grounded in the *Protect, Respect, Remedy* framework as articulated in the UN Guiding Principles on Business and Human Rights and General Comment No 16 on State Obligations Regarding the Impact of the Business Sector on Children's Rights;
  3. Ensures that public authorities follow the example set by existing leading multi-stakeholder initiatives, and address supply chain labour standards issues in a manner that clearly prioritises the best interests of the child, and works *with* suppliers, with termination of the contractor/supplier relationship used as a last resort; and
  4. Draws on international best practice in relation to the design and implementation of compliance regimes, the exercise of proper due diligence, the verification and monitoring of corporate compliance (including through communication and reporting of performance), and in the handling of complaints.

Such a common approach would help G20 members develop individual regimes that are fit for purpose, meet a shared objective, reduce red-tape burdens on business, and can be administered effectively and efficiently by the relevant public authorities.

Most importantly, it would provide a clear framework through which governments can meet their responsibilities to protect children from economic exploitation while fostering the enabling environment required for greater human capital accumulation and inclusive economic growth.



## INTRODUCTION

World Vision works with thousands of children either currently or formerly engaged in, or at risk of entering, child labour. Through this experience, we have learned that it is both a symptom and a cause of poverty and that sustainable solutions must include efforts to address the many underlying causes of child labour: poverty; inequality; entrenched social attitudes about the role and status of children; weak law enforcement and justice systems; and the lack of effective public services and social protection systems. There is no “silver bullet” because there is no one single cause of child labour.

All of our work is guided by an emphasis on child well-being, and it has been our experience that simply shutting down the mines, plantations or factories that utilise child labour is seldom in the best interests of children and their communities. Such actions can exacerbate the root causes of the poverty that forces children to work in the first place and drive the businesses that utilise child labour underground, making it more difficult to identify and provide support to child labourers. That notwithstanding, any efforts to address the “supply” of child labour must be supported by concerted efforts to address the “demand” for goods produced through child labour.

This is an area in which the G20 can have a major impact. Representing more than 85 per cent of the global economy, and with public procurement accounting for between 10 and 20 per cent of most countries’ GDP, the governments of the G20 have an opportunity to use their collective influence as consumers to improve standards at each stage of global value chains (GVCs) and decrease the demand for goods produced through child labour.

There are clear moral, legal and economic reasons for governments to take action to eliminate child labour from the value chains of the products they procure. A number of G20 members have already taken steps in this regard, but we suggest that G20 governments could accomplish much more together than with individual states working alone.

The scope of this paper does not allow a detailed examination of how public procurement works at domestic levels, and instead aims to make the case for coordinated action between G20 states. We propose that in the first instance, this coordinated action should take the form of the development of a common approach, which not only will provide a framework for creating market-based incentives to raise corporate standards, but will also help to streamline procurement decisions, improve government efficiency, and reduce red tape and potential barriers to trade.

Considering the ever-increasing interconnectedness and interdependence of our economies, we propose that addressing child labour in GVCs is not just the right thing to do. It is also in everybody’s best interest.





## CHILD LABOUR: DEFINITIONS AND FIGURES

World Vision believes that every child is entitled to a childhood, with opportunities to play, socialise and attend school.

For the purposes of this discussion, a child is classified as any person under 18 years of age. We recognise that ideas about childhood and child-appropriate activities vary across national and cultural borders,<sup>5</sup> but this definition is consistent with the main international conventions relating to child labour and child rights, including the Convention on the Rights of the Child and the Worst Forms of Child Labour Convention. With near-universal ratification of these conventions, it has been clearly demonstrated that “the international community has determined that persons under 18 are children and have the right to special protection”.<sup>6</sup>

While there can be benefits to children engaging in light and age-appropriate forms of work – vocational education opportunities, for example, or an after-school job – child labour refers to any “work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development”.<sup>7</sup>

The Worst Forms of Child Labour Convention, 1999 (No.182), has been ratified by 178 countries, making it the most widely supported convention of the International Labour Organization (ILO) and demonstrating near-universal commitment to the goal of eliminating the most heinous forms of child labour.

These *worst forms* represent the most extreme types of child labour, and include slavery, trafficking and debt-bondage, commercial sexual exploitation, and involvement in illicit activities including illegal drug production and distribution. *Worst forms* also include hazardous forms of labour, involving work in other dangerous or unhealthy conditions that put children at risk of death, injury or ill health.

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<sup>5</sup> For an analysis of some of the major debates about child labour, see Abebe, T. & Bessell, S. (2011), “Dominant Discourses, Debates and Silences on Child Labour in Africa and Asia”, *Third World Quarterly*, 32:4, pp.765–786.

<sup>6</sup> International Labour Organization (2011), “Children in Hazardous Work: what we know, what we need to do”, p.3.

<sup>7</sup> International Labour Organization, “What is Child Labour”, <http://www.ilo.org/ipec/facts/lang--en/index.htm> (accessed 5 October 2013).



## Children in employment

This category consists of all children engaged in economic activity, in both formal and informal economies. All types of work performed by children, including light work, are categorised as *children in employment*. It is important to note that while *child labour* and *worst forms of child labour* are subsets of *children in employment*, not all forms of work performed by children should be considered child labour.

### Child labour

In the absence of a standardised definition of child labour, the 2008 International Conference of Labour Statisticians undertook to develop a framework for statistical identification of child labour. The complete framework warrants exploration, and it essentially asserts that child labour is:

- any work carried out by children below the minimum age specified for light work (generally any child aged below 12 years is included in this category, although the framework allows for the fact that age group limits may differ across countries depending upon national circumstances);
- “regular work” (ie, work that cannot be considered “light work”) carried out by children within or below the age range specified for light work only (generally, children aged 14 and below are included in this category, but again allowing for different national circumstances in the definition of the age range);
- work that is designated as hazardous, and/or involves work for long hours or at night, carried out by children within or below the age range specified as the general minimum working age (generally, any child aged 17 or below is included in this category); and
- any work that is classified as one of the *worst forms of child labour* (see below).

### Worst forms of child labour

The *worst forms of child labour*, as defined by Article 3 of ILO Convention No.182, are:

- (a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;
- (b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- (c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- (d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

For more information, see International Labour Organization (2009), “Report of the 18th International Conference of Labour Statisticians, Geneva, 24 November – 5 December 2008”.



## Prevalence of child labour

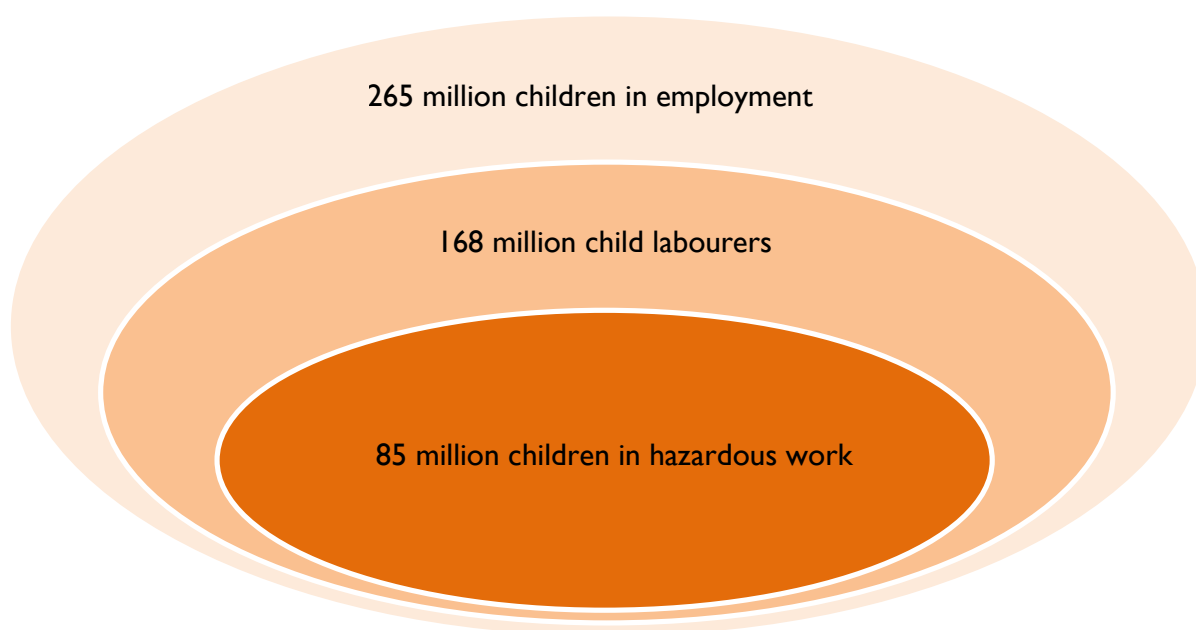


Figure 1: Hazardous work is a subcategory of child labour, which in turn, is a subcategory of children in employment

As of 2012, the ILO estimates that nearly 265 million children are in employment around the world. Of that figure, nearly 168 million work in conditions classified as child labour. These 168 million children represent more than 10 per cent of the world's children aged 5 years and above.<sup>8</sup>

Even more alarming is the fact that, of these 168 million children in labour, more than 85 million are found in hazardous work. That is, work that is classified as one of the *worst forms of child labour*, "which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children".<sup>9</sup>

### Child labour by region

While the largest number of child labourers is found in Asia and the Pacific (approximately 78 million), children in sub-Saharan Africa are statistically the most likely to enter into child labour, with more than 21 per cent of all children in the region engaged in a form of child labour.

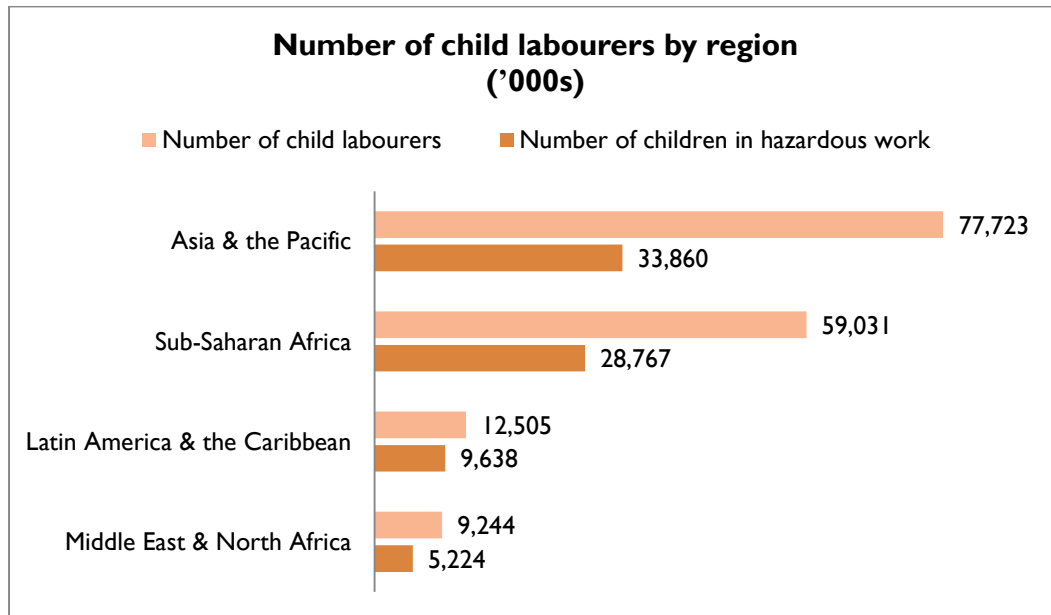
With approximately 12.5 million child labourers, Latin America and the Caribbean is home to far fewer than Asia and the Pacific or sub-Saharan Africa, but the region has the highest proportion of child labourers in hazardous work (approximately 9.6 million or 77 per cent of child labourers). In comparison, nearly 49 per cent of child labourers in sub-Saharan Africa are engaged in hazardous work, while that figure is closer to 43.5 per cent in Asia and the Pacific. In 2012, there were an estimated 9.2 million children in labour across the Middle East and North Africa, with 5.2 million (56 per cent of total child labourers) engaged in hazardous work.

<sup>8</sup> International Labour Organization (2013), "Marking Progress against Child Labour – Global estimates and trends 2000–2012".

<sup>9</sup> International Labour Organization, "C182 Worst Forms of Child Labour Convention, 1999", article 3(D).



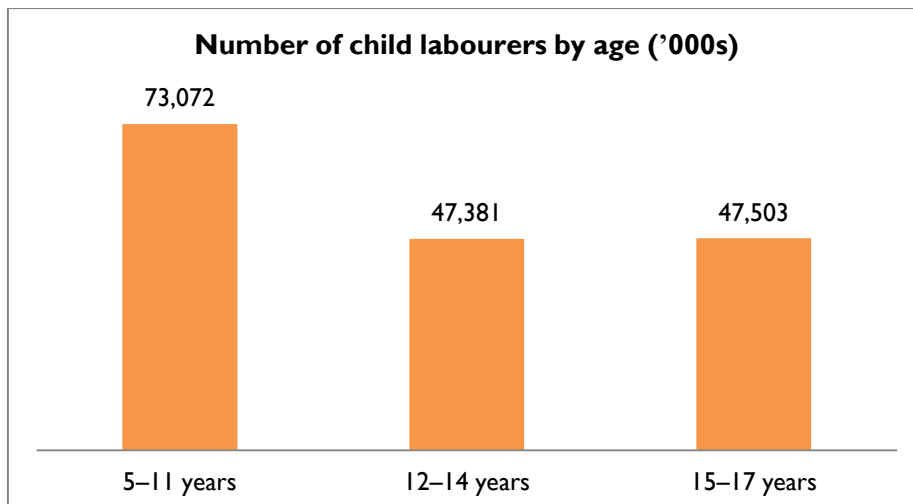
However, recent reports<sup>10</sup> suggest that the problem may be worse than these figures suggest, exacerbated by the conflict in Syria.



### Child labour by age

Based on the ILO's 2012 estimates, 73 million (44 per cent of total) child labourers are between 5 and 11 years of age. The remaining 56 per cent are roughly equally divided between the 12- to 14-year-old (47.3 million) and 15- to 17-year-old (47.5 million) age groups.

Of the 85 million children estimated to be in a hazardous form of labour, 37.8 million are aged between 5 and 14 years, with more than half that number under the age of 12.



<sup>10</sup> See, for example: United Nations High Commission for Refugees (29 November 2013), "Child Recruitment, Child Labour, Discrimination and Loneliness: the crisis of Syria's refugee children", <http://www.unhcr.org/5297409e6.html> (accessed 19 December 2013).



## Child labour by sector

Worldwide, the majority of child labourers (58.6 per cent) are engaged in the agricultural sector. While much of this work consists of work on family farms, it also includes industrial-level agriculture, as well as hunting, forestry and fishing. Many of the widely reported instances of child labour in GVCs (for example, cocoa, palm oil, fishing and cotton harvesting) are included in this category.

Approximately 7.2 per cent of child labourers are employed in the industrial sector, including manufacturing, construction and mining. This category includes children working in, for example, garment factories, brickworks and artisanal mines.

Together, the industrial and agricultural sectors account for more than 110 million (65.8 per cent of total) child labourers, and are likely to be the two sectors upon which global public procurement can have the greatest impact.

These figures present some challenging facts and dispel some of the pervasive myths about child labour. For example, there appears to be a persistent belief that the majority of work carried out by children is not particularly burdensome. We know that is not the case, however, as more than 63 per cent of children in employment work in conditions that are classified as child labour, and more than half that number work in hazardous conditions.

Another common assumption is that the majority of child labourers are near adulthood and “close enough” to an acceptable working age. Again, we know from the latest estimates that this is not the case, as more than 71 per cent of child labourers (approximately 120 million) are aged between 5 and 14 years. This figure alone should be enough to mobilise the necessary global support and leadership to accelerate action on reducing the market for goods produced through child labour, as well as addressing the root causes. However, not only is the high proportion of child labourers in the lower age groups of moral significance, but it is also highly relevant to the issue of a country’s job market, its stock of human capital and potential for growth.



## ECONOMIC IMPACTS OF CHILD LABOUR

In 2004, the ILO conducted detailed research to estimate the relative costs and benefits of eliminating child labour. It concluded that while it would cost upwards of US\$760 billion, the benefits would be nearly seven times that amount, contributing more than US\$5 trillion to the global economy.<sup>11</sup> Further, weak growth, a lack of inclusive growth in many economies, and high unemployment have recently been identified by the G20 as some of the most significant challenges to placing the global economy on a path to stronger, more sustainable and balanced growth.<sup>12</sup> The following section will demonstrate, among other things, how each of these obstacles to achieving strong, sustained and balanced growth can be linked to and is exacerbated by the prevalence of child labour in an economy.

### Case study: Kanpur Urban Child Labour Project

Kanpur is the financial and industrial capital of Uttar Pradesh, the largest state in India, and is home to over 33,000 child labourers (Census 2001 – a conservative figure). Various factors have contributed to this situation including poverty, migration, poor governance and a total absence of law enforcement.

World Vision's Kanpur Urban Child Labour Project commenced in February 2009 and has been working across six slums, where some of the main forms of child labour include rag picking, card printing, shoe making, leather working, domestic work and working in petty shops. The project is based around four core approaches:

1. Rehabilitation of child labourers: centred on the provision of transit schools and support for child labourers to enter the formal education system.
2. Networking and advocacy: including advocacy to, and partnerships with, the Department of Education, the District Level Task Force on Child Labour, as well as youth, religious leaders and other NGOs.
3. Community mobilisation: supporting the establishment of community-based organisations, including self-help groups, youth associations and children's clubs.
4. Livelihood development: facilitating market analysis and skills assessments, linking self-help groups to financial services (including microfinance), livelihood capacity building and vocational training for youth.

In its pilot phase, the Kanpur Urban Child Labour Project has rehabilitated hundreds of child labourers by providing specially tailored education services, worked with numerous government schools to help improve quality and access, facilitated the formation of community-based organisations in all target communities, and provided livelihood support to many of these groups, particularly youth.

The project has yielded many valuable lessons and further serves to highlight the many complexities of child labour. Chief among these lessons is the fact that there are no panaceas for the problem of child labour, and specific efforts to address the issue must be part of a broader, multifaceted commitment.

*For more information: [www.wvi.org/urban](http://www.wvi.org/urban)*

<sup>11</sup> International Labour Organization (2004), "Investing in Every Child: An Economic Study of the Costs and Benefits of Eliminating Child Labour".

<sup>12</sup> "G20 Leaders' Declaration", September 2013

[https://www.g20.org/sites/default/files/g20\\_resources/library/Saint\\_Petersburg\\_Declaration\\_ENG.pdf](https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf) (accessed 20 February 2014).



There is general consensus regarding the existence of “a very strong cross-country negative correlation between child labour and per capita GDP” and, more specifically, a strong negative correlation between labour force participation of children aged 10 to 14 and GDP per capita. The World Bank also acknowledges this negative relationship, observing an “inverse relationship between GDP per capita and child labour participation rates”.<sup>13</sup>

This section explores some of the reasons for this negative correlation and demonstrates why addressing the problem of child labour in value chains is in the interests of all states, not only those where child labour is most prevalent.

## **The impact of child labour on adult wages and employment**

The International Trade Union Confederation asserts that the availability of cheap child labour drives down wages and “also increases adult unemployment, especially among young workers, as children can be employed to do the same job for lower pay”.<sup>14</sup>

A review of the literature supports this claim, and there is a general consensus that children’s participation in labour markets can negatively affect the level of adult wages.<sup>15</sup> For example, an ILO study in Uttar Pradesh, India, found that children labouring in the carpet manufacturing industry, who were hired at lower wages, “depressed the going wage rate for adult workers”.<sup>16</sup>

Much of the literature<sup>17</sup> on the impacts of child labour on adult wages draws on the seminal work of Kaushik Basu, now Chief Economist for the World Bank and Professor of Economics at Cornell University. Basu and Van<sup>18</sup> articulate an economic model that suggests participation in child labour has a depressive effect on adult wages, which then results in households relying on child labour to supplement household income.

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<sup>13</sup> Barnett, R. & Espinosa-Vega, M. (2005), “Barriers to Capital Accumulation and the Incidence of Child Labor”, Working Paper, International Monetary Fund, p.1.

<sup>14</sup> International Trade Union Confederation (2010), “Union View”, No.18, p.8.

<sup>15</sup> Grimsrud, B. (2001), “What Can Be Done about Child Labour? An Overview of Recent Research and Its Implications for Designing Programs to Reduce Child Labor”, Social Protection Discussion Series, The World Bank, p.6.

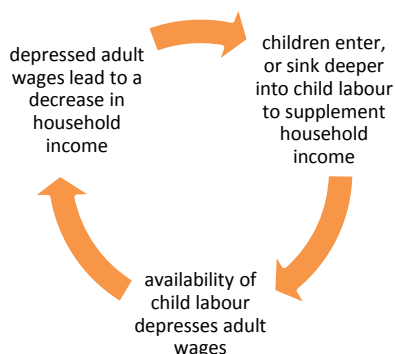
<sup>16</sup> Levison, D., Anker, R., Ashraf, S. & Barge, D. (1996), “Is Child Labour Really Necessary in India’s Carpet Industry?” Labor Market Paper, No.15, ILO, Geneva.

<sup>17</sup> See, for example, Shultz, T.P. & Strauss J.A. (eds.) (2008), *Handbook of Development Economics*, Vol.4, Elsevier; Doepke, M. & Krüger, D. (2007), “Origins and Consequences of Child Labor Restrictions: A Macroeconomic Perspective”, IZA Discussion Papers 3259, Institute for the Study of Labor; and Goto, H. (2011), “Social norms, inequality and child labor”, *The Journal of Socio-Economics*, Vol.40. i6, pp.806–814.

<sup>18</sup> Basu, K. & Van, P.H. (1998), “The Economics of Child Labor”, *American Economic Review*, Vol.88, pp.412–427.

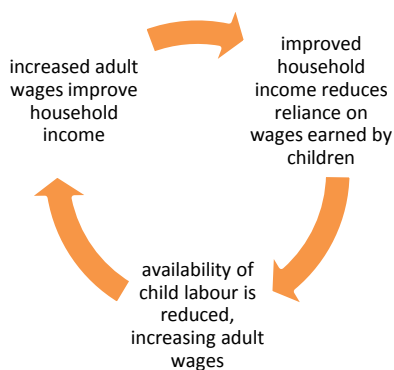


This is a classic vicious cycle, and an element of what is often referred to as the “child labour trap”. In its most simple form, the cycle might look like this:



One consequence of depressed adult wages is the suppression of that unskilled workers’ wages decline relative to those of educated workers. This can result in, among other things, the costs of education being beyond the reach of unskilled workers<sup>19</sup> and increasing the likelihood that their children will enter the labour market early. This increases the availability of child labour, potentially further depressing adult wages, and also introduces a generational element to the child labour trap.

According to Basu and Van,<sup>20</sup> parents will usually withdraw their children from the labour market once the household income surpasses a certain threshold in the form of adult wages. This supports the assertion that not only does a reduction in child labour support an increase in adult wages, but also that higher adult wages can result in a reduction in child labour. This assertion is also supported by Goto,<sup>21</sup> who takes the analysis further by demonstrating how reductions in child labour, accompanied by an increase in household income, can have a ripple effect, leading to the emergence of new social norms that oppose child labour, leading again to even greater reductions in child labour participation rates.



<sup>19</sup> Ljungvist, L. (1992), “Economic Underdevelopment: The Case of the Missing Market for Human Capital”, *Journal for Development Economics*, 40, pp.219–239.

<sup>20</sup> Basu & Van (1998).

<sup>21</sup> Goto, H. (2011), “Social Norms, Inequality and Child Labor”, *The Journal of Socio-Economics*, Volume 40, Issue 6, pp.806–814.





Of course, child labour has much broader and longer-term economic impacts than the immediate effects on individual household incomes. Empirical evidence directly links child labour to a wide range of other negative impacts on macroeconomic growth, including:

- Depressed wages, which, when combined with capital market imperfections, constrain entrepreneurship and lead to an increasingly stagnant, low-wage economy.<sup>22</sup>
- Increased adult unemployment in some cases.<sup>23</sup> A study in Mexico, for example, demonstrated that a decrease in the number of children engaged in the corn industry was accompanied by an increased demand for adult labour.<sup>24</sup>
- Slowing technological progress, as the availability of cheap child labour reduces incentives for employers to modernise production processes.<sup>25</sup>
- Problems attracting foreign inward investment. A high prevalence of child labour has been shown to deter foreign direct investment.<sup>26</sup>
- Reduction in earnings. Engagement in child labour reduces potential lifetime earnings by an estimated 13–20 per cent and increases the likelihood of being poor in later life by as much as 30 per cent.<sup>27</sup>

### The impact of child labour on the accumulation of human capital

*...Children subject to long working hours cannot attend school and therefore have limited opportunities to develop their human capital. At the aggregate level, this is likely to translate into weaker productivity growth which is the basis for improved living standards.*

*Second, certain forms of child labour (under hazardous conditions) may affect the health conditions and longevity of children, thereby also affecting human capital. The incidence of injuries among child labourers is as high as 17% in countries for which data are available.*

*Finally, and more importantly, the “worst forms” of work have devastating effects on the health and psychological development of the children involved in such practices.*

OECD (2003), “Combatting Child Labour: a review of policies”, p.9

The World Economic Forum (WEF), in its 2013 *Human Capital Report*, declared that a “nation’s human capital endowment – the skills and capacities that reside in people and that are put to productive use – can be a more important determinant of its long-term economic success than virtually any other resource”.<sup>28</sup> The WEF’s human capital index, which measures the stock of

<sup>22</sup> Bangere, A. & Newman, A. (1993), “Occupational choice and the process of development”, *Journal of Political Economy*, 101, pp.274–298.

<sup>23</sup> Diamond, C. & Fayed, T. (1998), “Evidence on substitutability of adult and child labour”, Vol.34, 13, pp.62–70, p.1.

<sup>24</sup> Doran, K. (2013), “How Does Child Labor Affect the Demand for Adult Labor? Evidence from Rural Mexico”, *Journal of Human Resources*, Vol.48, 1.3, pp.702–735.

<sup>25</sup> Galli, R. (2001), “The Economic Impact of Child Labour”, The Institute for Labour Studies, International Labour Organization, Geneva.

<sup>26</sup> Braun, S. (2006), “Core Labour Standards and FDI: Friends or Foes? The Case of Child Labour”, Institute for Economic Theory, Humboldt-Universität zu Berlin.

<sup>27</sup> Ilahi, N., Orazem, P. & Sedlacek, G. (2005), “How Does Working as a Child Affect Wage, Income and Poverty as an Adult?”, The World Bank.

<sup>28</sup> World Economic Forum (2013), “The Human Capital Report”, p.1.



human capital of 122 countries, is based on four pillars, the *Education* pillar, *Health and Wellness* pillar, *Workforce and Employment* pillar, and the *Enabling Environment* pillar. With the first three of these pillars directly impacted by child labour, it should not be surprising that many of the countries that rank lowest on the index are those with a high prevalence of child labour.

The majority of literature on the relationship between child labour and human capital tends to focus on education as the primary contributor to a child's development of human capital. The evidence confirms that schooling attendance, performance and academic attainment are all generally lower for working children.<sup>29</sup> Data published by the Organisation for Economic Co-operation and Development (OECD), for example, clearly demonstrate that economically active children "attend school less frequently than their non-working counterparts".<sup>30</sup>

The health consequences of child labour are also significant and should not be examined in isolation. A child's health can have far-ranging consequences for other aspects of human capital accumulation, including, but not limited to, the ability of a child to obtain a quality education.<sup>31</sup>

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<sup>29</sup> Edmonds, E. (2008), "Child Labor", pp.3607–3709 in Schultz, T. & Strauss, J. (eds.), *Handbook of Development Economics*, Elsevier.

<sup>30</sup> OECD (2003), "Combating Child Labour: a review of policies", p.22.

<sup>31</sup> Leinburger-Jabari, A., Parker, D. & Oberg, C. (2005), "Child Labor, Gender and Health", Public Health Report, Volume 120, No.6, pp.642–648.



## The impact of child labour on child health

The World Bank,<sup>32</sup> World Health Organization (WHO)<sup>33</sup> and OECD<sup>34</sup> have all documented the significant short- and long-term impacts that child labour has on child health. Child labour can affect the immediate health outcomes of children through any number of illnesses and injuries, but can also have extensive long-term developmental consequences.<sup>35</sup> This is supported by the WHO, which cites serious immediate and long-term health consequences of child labour, and explains that “exposure to occupational hazards may have acute consequences such as illnesses or injuries but may not manifest until years after exposure, resulting in great health burden”.<sup>36</sup> World Vision’s research on trafficking in persons in Thailand found that nearly one in five Thai community members surveyed had observed non-Thai migrant children working in dangerous conditions in their community. The same research showed that of children and adolescents from Lao PDR who had migrated for work, for example, 55 per cent of those surveyed felt their work placed them at risk of injury.

Empirical evidence demonstrates the link between child labour and negative child health outcomes. A study on children engaged in carpet weaving in rural Pakistan, for example, has found children suffered musculoskeletal injuries, cuts and bruises and respiratory illness from the inhalation of fibres and chemicals.<sup>37</sup> Other studies on the health effects of child labour include green tobacco sickness suffered by children harvesting tobacco in Malawi;<sup>38</sup> severe injuries suffered by child street-labourers in Latin America;<sup>39</sup> and heat exposure, insect bites and toxic chemical exposure suffered by children working in India’s plantation and agriculture sectors.<sup>40</sup>

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<sup>32</sup> Beegle, K., Dehejia, R. & Gatti, R. (2004), “Why should we care about child labour? The Education, Labour Market, and Health Consequences of Child Labour”, World Bank Policy Research Working Paper, No.3479.

<sup>33</sup> World Health Organisation (2005), “The Global Occupational Health Network (GOHNET) Newsletter”, Issue 9, Summer ([http://www.who.int/occupational\\_health/publications/newsletter/Gohnet9eng.pdf?ua=1](http://www.who.int/occupational_health/publications/newsletter/Gohnet9eng.pdf?ua=1))

<sup>34</sup> OECD (2003).

<sup>35</sup> For detailed analysis of the public health implications of child labour, see Fassa, A., Parker, D. & Scanlon, T. (2010), *Child Labour: A Public Health Perspective*, Oxford University Press.

<sup>36</sup> WHO (2005), p.2.

<sup>37</sup> Awan, S., Nasrullah, M. & Cummings K.J. (2010), “Health hazards, injury problems, and workplace conditions of carpet weaving children in three districts of Punjab, Pakistan”, *International Journal of Occupational and Environmental Health*, Vol.16, Issue 2, pp.115–121.

<sup>38</sup> Plan International (2009), “Hard work, long hours and little pay”.

<sup>39</sup> Pinzon-Rondon A.M., Koblinsky S.A., Hofferth, S.L., Pinzon-Rondon, C.E. & Briceno, L. (2009), “Work related injuries among child street-labourers in Latin America: prevalence and predictors”, *Revista Panamericana de Salud Pública*, 2009, Vol.36, No.3, pp.235–243.

<sup>40</sup> Agnihotram, R.V. (2005), “An Overview of Occupational Research in India”, Vol.9, Issue 1, pp.10–14.



## Case study: Child miners in Kambove, Democratic Republic of Congo

It has been estimated that as many as 30,000 miners under the age of 15 work in the artisanal mines of the Katanga Copperbelt of the Democratic Republic of Congo (DRC), with some labourers as young as six years old.\*

World Vision's research into artisanal mining in the Kambove region of the DRC found that 19 per cent of children surveyed reported seeing a child die on an artisanal mining site and 67 per cent experienced frequent or persistent coughing.

Many of the minerals mined in southern Katanga are hazardous to the long-term health of child miners and the wider community. Cobalt, for example, has been linked to heart, thyroid and lung damage, and one study cited in the report found cobalt in 87 per cent of children living close to a Katanga mining site. Critically, the study showed far higher levels of toxic metals in children compared to adults, even where the children had less direct exposure to the metals.

In interviews with child miners and their parents, World Vision researchers heard reports of respiratory disease, diarrhoea and vomiting, and fevers from ingesting dirty water. There are also serious concerns about the health impacts of radiation exposure from the uranium found in the copper and cobalt.

High rates of anaemia, frequent coughing, abdominal bloating, eye pain and skin irritation were all reported, as well as cuts and fractures suffered while working at the mine sites. There have also been numerous reports of girls suffering from genital infections after working waist-deep in pools of acidic water.

Source: World Vision DRC (2013), "Child Miners Speak: Key Findings on Children and Artisanal Mining in Kambove DRC"

\* Tsurukawa, N., Prakash, S., & Manhart, A. (2011), "Social impacts of artisanal cobalt mining in Katanga, Democratic Republic of Congo", Öko-Institut e.V., Freiburg, Germany



Image Credit: Congo (Democratic Republic of)/World Vision

Mining is one of the worst forms of child labour. Artisanal miners use their hands and tools to collect raw material, extract metal and sell it through informal channels. Kambove, DRC, Southern Africa



The negative health impacts of child labour are not limited to a child's physical well-being; the long-term psychosocial effects of child labour must also be considered.<sup>41</sup> The ILO<sup>42</sup> outlines how child labour, and in particular hazardous work, has lasting psychological, social and intellectual impacts, which can have drastic effects on a child's development. There are numerous empirical studies supporting this, including a study of child labourers in southern Brazil, which showed that child labourers in domestic services exhibited behavioural problems at a level much higher than children not working.<sup>43</sup> Another study, of child scavengers in the Philippines, demonstrates a "progressive decline" of the "intellectual functioning" of child labourers and an increased school dropout rate.<sup>44</sup>

The fact that more than 10 per cent of the world's children aged 5 years and above are working in unacceptable conditions to the detriment of their health, education and childhood should be enough to motivate most people to action. However, as this section has demonstrated, child labour does not just harm the health, safety and morals of children, it harms the very economies that are developing around them. The question then becomes what actions the G20, as the world's premier economic forum, can take to address this issue.

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<sup>41</sup> Benvegna, L.A., Fassa, A., Facchini, L., Wegman, D. & Dall'Agnol, M. (2005), "Work and Behavioural Problems in Children and Adolescents", *International Journal of Epidemiology*, Vol.34, pp.1417–1424.

<sup>42</sup> ILO (2011), "Children in Hazardous Work: what we know, what we need to do".

<sup>43</sup> Benvegna et al, (2005).

<sup>44</sup> Fassa, A., Parker, D. & Scanlon, T. (2010), *Child Labour: A Public Health Perspective*, Oxford University Press.



## GLOBAL VALUE CHAINS

Global value chains (GVCs) refer to the entire process of producing goods, from raw materials to finished products. GVCs have gained a great deal of attention in recent years, and are a fundamental characteristic of the world's increasingly interconnected and interdependent economies.

Where once individual firms, and even entire countries, specialised in certain industries and the manufacture of finished products, most things we purchase today can be said to be “made in the world”. For instance, the OECD estimates that more than 50 per cent of the world's manufacturing imports are primary goods, parts and components, or semi-finished products. This interconnectedness, along with the associated technological advances that have made the rapid spread of GVCs possible, has also led to new levels of specialisation of firms and countries in specific functions.<sup>45</sup>

In a joint paper prepared for the G20 Leaders' Summit in St Petersburg in 2013, the OECD, the World Trade Organization (WTO) and the UN Conference on Trade and Development (UNCTAD) considered some of the implications of GVCs for trade, investment, development and jobs. While celebrating the many opportunities that participation in GVCs can provide, the paper also acknowledges the increased risks relating to them and emphasises that a “strong environmental, social and governance framework and policies are essential to maximising the sustainable development impact of GVC activities and minimizing risks”.<sup>46</sup>

The interconnectedness and interdependence that accompany GVCs have real implications for efforts to alleviate child labour and add a level of complexity to the process of determining levels of responsibility for investigating human rights risks in supply chains.

Figure 2 maps the GVC of a jar of Nutella®, a chocolate-hazelnut spread produced by Italian company Ferrero. The inclusion of this map must not be taken as a suggestion that Ferrero utilises child labour in the production of its products; rather, it is a useful illustration of the complex GVC involved in the manufacture of a relatively simple product. Further, in their study, Backer and Miroudot<sup>47</sup> explain that Nutella is broadly representative of agrifood value chains.

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<sup>45</sup> OECD (2013), “Interconnected Economies: benefitting from global value chains” (preliminary version).

<sup>46</sup> OECD, WTO, UNCTAD (2013), “Implications of Global Value Chains for Trade, Investment, Development and Jobs”, p.27.

<sup>47</sup> Backer, K.D. & Miroudot, S. (2013), “Mapping Global Value Chains”, OECD.





Source: Ferrero

Figure 2: “The Nutella global value chain”, reprinted with permission of OECD<sup>48</sup>

Ferrero Group, headquartered in Italy, maintains factories close to where the final product is in high demand, and some inputs, including packaging, are sourced near those factories. However, the vast majority of ingredients are sourced globally, with palm oil being sourced from Malaysia, Brazil and Papua New Guinea; hazelnuts from Turkey; cocoa from Côte d’Ivoire, Ghana, Nigeria and Ecuador; sugar from Brazil and across Europe; and vanillin (for vanilla flavouring) from the USA and France. The product is then manufactured in factories in Russia, North America, South America and Australia. It is interesting to note that many of the countries involved in the production of this one product are members of the G20, highlighting once again the dominant role that G20 economies play in our interconnected and interdependent world.

These increasingly complex and wide-reaching GVCs provide opportunities for businesses to reduce costs and increase profits, as well as opportunities for emerging economies to access export markets and the potential for job creation. However, the fragmentation of production can further complicate the task of ensuring that human rights abuses, including use of child labour, are not contributing to the finished product. This is particularly the case when considering the fact that GVCs consist of vast global networks of suppliers, buyers and subcontractors, all with vested interests in keeping their own costs down.

In his remarks at the Mexico City G20 Trade and Investment Promotion Summit in 2012, OECD Secretary-General, Angel Gurría, explained that while “GVCs offer opportunities to enhance efficiency and source inputs globally, investing in specific activities where the location factors are

<sup>48</sup> Backer, K. D. and S. Miroudot (2013), “Mapping Global Value Chains”, OECD Trade Policy Papers, No.159, OECD Publishing, <http://dx.doi.org/10.1787/5k3v1trgnbr4-en>.



optimal for profit”,<sup>49</sup> they also bring new risks and responsibilities for enterprises. Mr Gurría emphasised that these additional responsibilities, include “addressing issues such as respect of labour and human rights”.

Since at least the 1990s there has been widespread condemnation of the use of “sweatshop” and child labour in the manufacture of products, particularly apparel. However, we are now more aware that exploitative labour practices may be found at almost every stage of a GVC. No efforts to eradicate the market for child labour can be taken seriously unless the extraction and production of raw materials and components are targeted as much as the manufacture and assembly of the final product.

Recently noted examples revealing the use of child labour at the early stages of GVCs include harvesting of cotton,<sup>50</sup> processing of palm oil,<sup>51</sup> copper and cobalt mining,<sup>52</sup> extraction of rubber, production of salt, and processing of seafood.<sup>53</sup>

A January 2014 article<sup>54</sup> on the use of child labour in mica mines in the Indian state of Jharkhand emphasises the mineral’s use in cosmetics. However, mica is more commonly used as a filler and extender in building materials, as a key ingredient in paint, in automotive brake linings and clutch plates, and as an electrical insulator in electronic devices.<sup>55</sup> The use of mica in these other constituent parts of commonly purchased products is highly relevant to the issue of child labour in public procurement value chains.

Of course, mica is just one example of a raw material whose industrial applications are near countless and that has been linked to child labour. Palm oil, for instance, can be found in a wide range of foods, but also in soaps and detergents, pharmaceutical products and oleochemical applications such as biodiesel production.<sup>56</sup> Similarly, while cotton is most known for its use in garment manufacturing, it is also used in the production of fishing nets, bookbinding and archival paper, and feed for cattle. Cottonseed oil is also found in a range of food products, pharmaceuticals, plastics, and a cottonseed by-product is even used in the production of bank notes.<sup>57</sup>

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<sup>49</sup> Gurría, A. (5 November 2012), "The Emergence of Global Value Chains: What Do They Mean for Business?" G20 Trade and Investment Promotion Summit, Mexico City, OECD, <http://www.oecd.org/about/secretary-general/theemergenceofglobalvaluechainswhatdotheymeanforbusiness.htm> (accessed 3 January 2014).

<sup>50</sup> Kandiyoti, D. (2009), “Invisible to the World: the dynamics of child labour in the cotton sector of Uzbekistan”, School of Oriental and African Studies, University of London.

<sup>51</sup> International Labour Organization (22 April 2010), “Child Labor in Plantation”, [http://www.ilo.org/jakarta/areasofwork/WCMS\\_126206/lang--en/index.htm](http://www.ilo.org/jakarta/areasofwork/WCMS_126206/lang--en/index.htm) (accessed 10 November 2013).

<sup>52</sup> World Vision DRC (2013), “Child Miners Speak: key findings on children and artisanal mining in Kambove DRC”.

<sup>53</sup> International Labour Organization (2005), “Good Practices and Lesson Learnt in Combatting Hazardous Work in Child Labour”.

<sup>54</sup> Doherty, B. & Whyte, S. (19 January 2014), “India’s Mica Mines: the shameful truth behind mineral make-up’s shimmer”, *Sydney Morning Herald*.

<sup>55</sup> Dolley, T.P., “Mica”, 2008 Minerals Yearbook, United States Geological Survey.

<sup>56</sup> Malaysian Palm Oil Board, “Applications”, <http://www.palmoilworld.org/applications.html#> (accessed 31 December 2013).

<sup>57</sup> Cotton Australia, “Uses of Cotton”, <http://cottonaustralia.com.au/australian-cotton/basics/uses-of-cotton> (accessed 31 December 2013).





### Case study: Jestoni's story

Before he received support through a World Vision child sponsorship programme, Jestoni was a child labourer in a small-scale gold mine in Mindanao Province in the Philippines. His days were spent shovelling mud and panning for tiny pieces of gold and, along with his brothers, carrying heavy loads of rocks from the mine.

Jestoni would work between eight and 12 hours each day, aiming to earn a small amount of money (approximately US\$4) to help his family make ends meet.

Jestoni's parents were aware of the many dangers their children faced, from the risk of landslides and falling rocks, to the long-term effects of mercury exposure and physically demanding labour. However, with their crops damaged from ongoing floods, they had no choice but to remove Jestoni from school and send him to work.

Through World Vision's support, Jestoni and other child labourers in his community were able to return to school. World Vision continues to support children like Jestoni and their communities, but reports of child labour in small-scale mines across the Philippines and many other countries persist.

Source: World Vision Australia (2013), "Behind the Bling: Forced and Child Labour in the Global Jewellery Industry"



Image credit: Crislyn Joy A. Felisilda/World Vision


The search for gold sent Jestoni away from school and into the dangers of the mines.

In Mali, it is estimated that between 20,000 and 40,000 child miners work at the end of complex GVCs, with local traders buying directly from children and families before the gold is on-sold to large export-oriented gold trading houses. It is estimated that as much as 20 per cent of the four tonnes of gold from artisanal mines that Mali exports each year is mined by children.<sup>58</sup>

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<sup>58</sup> Human Rights Watch (2011), "A Poisonous Mix Child Labour, Mercury and Artisanal Gold Mining in Mali".





Like mica, silver and other minerals, gold is found in a wide range of products that governments procure including electronics, audio-visual equipment, and gold is even used in the production of jet aircraft engines.<sup>59</sup>

We propose that, as major actors in and beneficiaries of these GVCs and the interconnected economies that have emerged alongside them, the governments of the G20 have both a responsibility and a vested interest in using their influence as consumers to reduce the market for goods produced with child labour.

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<sup>59</sup> Krech, S., McNeill, J. & Merchant, C. (2004), *Encyclopedia of World Environmental History*, Volume 3, Routledge, p.597.



## ADDRESSING CHILD LABOUR THROUGH PUBLIC PROCUREMENT

*Public procurement is the process whereby public sector organisations acquire goods, services and works from third parties. It includes much that supports the work of government and ranges from routine items (e.g. stationery, temporary office staff, furniture or printed forms), to complex spend areas (e.g. construction, Private Finance Initiative projects, aircraft carriers or support to major change initiatives).*

Source: Office of Government Commerce (UK), “An Introduction to Public Procurement”

### Why public procurement matters

It can be conservatively estimated that the total public procurement spend of G20 governments in 2014 will be between 10 and 15 trillion dollars.<sup>60</sup> Of course, not all of the goods or services that a government procures are going to be particularly vulnerable to child labour in their value chains. But as discussed in the previous section, many commonly procured goods, particularly those with value chain links in the agricultural and industrial sectors, can be categorised as high risk.

Although there are differences in how public procurement policies have developed at the national level, “value for money” has generally emerged as the key guiding concept, coupled with an emphasis on open, competitive tender processes. In their public procurement activities, governments act, not as regulators of companies, but as customers.

Stumberg et al propose that, given the vast scale of public procurement, “government does not merely purchase *in* the market; it *creates* markets”.<sup>61</sup> The size of these markets, combined with a narrow cost-benefit interpretation of “value for money” (often conflated with “lowest possible price”) can engender a ruthless environment of low-bid competition. In such an environment, human rights abuses, including use of child labour, can be overlooked, particularly by subcontractors who are under pressure to keep costs low.

Howe suggests that “even where governments adopt an ethical purchasing policy, purchasing officers may give such policies very little weight compared to (the narrowly interpreted) value for money”.<sup>62</sup> Recently passed legislation in the European Union, for example, permits the application of a new criterion, *Most Economically Advantageous Tender*, which allows public authorities to put more emphasis on factors that are not directly linked to the lowest possible price, including social aspects.<sup>63</sup> However, even this very positive step only *allows* states to apply

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<sup>60</sup> Estimate based on IMF GDP (purchasing power parity) data and projections from the “World Economic Outlook Database”, <http://www.imf.org/external/data.htm> (accessed 23 October 2013) and public procurement estimates in OECD (2011), “Government at a Glance”.

<sup>61</sup> Stumberg, R., Ramasastry, A. & Athreya, B. (2013), “Government Procurement: Promoting Procurement Policies that Ensure Business Respect for Human Rights”, (Summary of Forthcoming Report) International Corporate Accountability Roundtable, p.5.

<sup>62</sup> Howe, J., “The Regulatory Impact of Using Public Procurement to Promote Better Labour Standards in Corporate Supply Chains”, in Macdonald, K. and Marshall, S. (eds.) (2010), *Fair Trade, Corporate Accountability and Beyond: experiments in globalizing justice*, Ashgate.

<sup>63</sup> European Parliament (15 January 2014), “New EU-procurement rules to ensure better quality and value for money”, <http://www.europarl.europa.eu/news/en/news-room/content/20140110IPR32386/html/New-EU-procurement-rules-to-ensure-better-quality-and-value-for-money> (accessed 17 January 2014).



social criteria, and there are questions about whether any resulting national legislation would be effective at ensuring respect for labour rights. This is especially of concern at the early stages of a product's GVC, and "particularly in the case of supply contracts for products that are already ready for sale, the production stage could be claimed to have occurred prior to the actual performance of the contract".<sup>64</sup>

Given the scale of expenditure, we do appreciate that governments have to balance a number of considerations, including a desire to procure the best possible product at the lowest possible price. It is the very scale of public procurement markets, however, that provides governments with the opportunity to use their influence as significant market actors to make clear their expectations as consumers and make a real impact on the global demand for goods produced through child labour. By using their immense purchasing power to raise standards, the G20 could create a market-based incentive for change at each stage of a product's GVC.

In addition to these market-based incentives, public procurement provides governments with an opportunity to lead by example. McCrudden argues:

*The inclusion of social and environmental conditions should not only be seen as being about the consequences of procurement decisions and the leverage those consequences give us on policy. When the government makes purchases, it acts in the name of its citizens and ought to hold up certain standards.*<sup>65</sup>

For countries that have signed and ratified conventions regarding the rights of children and the elimination of child labour, public procurement reform is an important way for them to "put their money where their mouth is". Further, as explained below, it is not just in the moral and economic interests of states to address child labour; they also have a legal obligation to do so.

## The international legal and policy context

Under both customary law and various treaty obligations, states are legally required to address child labour, as well as other forms of child exploitation and human rights abuses. Recent international guidance has helped to shed further light on the role of the state and its regulatory responsibilities in relation to human rights issues arising in the context of business activities, including child labour.

### UN Guiding Principles on Business and Human Rights

In 2011, the United Nations Human Rights Council unanimously endorsed the *United Nations Guiding Principles for Business and Human Rights* (UNGPs), "stressing that the obligation and the primary responsibility to promote and protect human rights and fundamental freedoms lie with the State, [and] emphasizing that transnational corporations and other business enterprises have a responsibility to respect human rights".<sup>66</sup>

The UNGPs were developed through more than six years of research, led by Harvard University's Professor John Ruggie, and involved in-depth consultation with business,

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<sup>64</sup> Electronics Watch (29 January 2014), "New EU Directive: Good news for socially responsible public procurement", [http://electronicswatch.org/en/new-eu-directive-good-news-for-socially-responsible-public-procurement\\_24085](http://electronicswatch.org/en/new-eu-directive-good-news-for-socially-responsible-public-procurement_24085) (accessed 30 January 2014).

<sup>65</sup> McCrudden, C. (2007), *Buying Social Justice: Equality, Government Procurement, & Legal Change*, Oxford University Press, p.378.

<sup>66</sup> Human Rights Council Res. 17/4, U.N. Doc. A/HRC/RES/17/4 (16 June 2011).



governments and civil society.<sup>67</sup> Prior to the Human Rights Council's endorsement, "scores of individual companies, corporate law firms and institutional investors [took] the unusual step of issuing public statements of support for the Guiding Principles".<sup>68</sup> The International Trade Union Confederation also welcomed the adoption of the UNGPs.<sup>69</sup>

The UNGPs do not represent new international law obligations; rather, they articulate "the implications of existing standards and practices for states and businesses; integrating them within a single, logically coherent and comprehensive template; and identifying where the current regime falls short and how it could be improved".<sup>70</sup> This template takes the form of a three-pillared framework, consisting of:

1. The state duty to **protect** human rights;
2. The corporate responsibility to **respect** human rights; and
3. The need for rights and obligations to be matched to appropriate and effective **remedies** when breached.

The UNGPs establish that states should clearly convey the expectation that businesses will respect human rights throughout their global operations (see Principle 2<sup>71</sup>) and that businesses, in turn, should establish appropriate human rights due diligence throughout their value chains (see Principle 17<sup>72</sup>).

Public procurement is explicitly referenced and is important in the context of the UNGPs for three main reasons.

1. As part of their duty to protect, states should promote respect for human rights in all their commercial dealings (see Principle 6<sup>73</sup>).
2. There needs to be policy coherence that ensures that government authorities have both the institutional environment and the support with which to understand and act in a manner compatible with a government's human rights obligations (see Principle 8<sup>74</sup>).

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<sup>67</sup> Ruggie, J.G. (2013), *Just Business: Multinational Corporations and Human Rights*, WW Norton & Co, New York.

<sup>68</sup> Ruggie, J.G. (30 May 2011), "Presentation of Report to United Nations Human Rights Council", Geneva

<sup>69</sup> International Trade Union Confederation (2012), "The United Nations "Protect, Respect, Remedy" Framework for Business and Human Rights and the United Nations Guiding Principles for Business and Human Rights: a guide for trade unionists".

<sup>70</sup> Ruggie, J.G. (30 May 2011), "Presentation of Report to United Nations Human Rights Council", Geneva

<sup>71</sup> "States should set out clearly the expectation that all business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their operations." (UNGP 2).

<sup>72</sup> "In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed..." (UNGP 17).

<sup>73</sup> "States should promote respect for human rights by business enterprises with which they conduct commercial transactions." (UNGP 6).

<sup>74</sup> "States should ensure that government departments, agencies and other State-based institutions that shape business practices are aware of and observe the State's human rights obligations when fulfilling their respective mandates, including by providing them with relevant information, training and support." (UNGP 8).



3. The three pillars of the “Protect, Respect and Remedy” framework are not intended to stand alone, but should be mutually supportive and reinforcing. Public procurement provides an opportunity for states to support the corporate responsibility to respect (see Principle 3<sup>75</sup>).

## Convention on the Rights of the Child

The Convention on the Rights of the Child (CRC) has been signed and ratified by more countries than any other human rights treaty.

Of the 20 governments represented in the G20, 19 have ratified the CRC, and the United States of America has signalled its intention to do so.<sup>76</sup> The Convention obliges governments, among other things, to guarantee:

*...the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development.*<sup>77</sup>

In early 2013, the Committee on the Rights of the Child adopted General Comment No.16 (2013) on State Obligations Regarding the Impact of the Business Sector on Children's Rights. The statement uses the framework established by the UNGPs to clarify state responsibilities under the CRC with respect to business.

General Comment No.16 is very clear about the fact that “States are not relieved of their obligations under the Convention and its protocols when their functions are delegated or outsourced to a private business or non-profit organisation”.<sup>78</sup> It further explains, “States must take steps to ensure that public procurement contracts are awarded to bidders that are committed to respecting children's rights...”<sup>79</sup>

## The international trading context

We are aware that any efforts to use public procurement as a vehicle to address child labour in GVCs take place against a background of international trading regimes overseen by the World Trade Organization (WTO) and other regional institutions.

This needs to be taken into account, given that bilateral free trade agreements as well as the WTO's plurilateral Agreement on Government Procurement (to which 17 of the G20

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<sup>75</sup> “In meeting their duty to protect, States should: a) Enforce laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights, and periodically to assess the adequacy of such laws and address any gaps; b) Ensure that other laws and policies governing the creation and ongoing operation of business enterprises, such as corporate law, do not constrain but enable business respect for human rights; c) Provide effective guidance to business enterprises on how to respect human rights throughout their operations; d) Encourage, and where appropriate require, business enterprises to communicate how they address their human rights impacts.” (UNGP 3).

<sup>76</sup> Archard, D. (2004), *Children: Rights and Childhood*, Routledge, p.58.

<sup>77</sup> United Nations General Assembly (20 November 1989), “Text of the UN Convention on the Rights of the Child”, UN Office of the High Commissioner for Human Rights, Article 32(1).

<sup>78</sup> United Nations Committee on the Rights of the Child (2013), “General Comment No. 16 on State obligations regarding the impact of the business sector on children's rights”, para 25.

<sup>79</sup> United Nations Committee on the Rights of the Child (2013), “General Comment No. 16 on State obligations regarding the impact of the business sector on children's rights”, para 27.



economies are either party or hold observer status)<sup>80</sup> have been cited as potential obstacles to the application of social criteria to public procurement eligibility requirements.<sup>81</sup>

At the heart of international trading arrangements are principles of fair competition, transparency and non-discrimination. The general requirement is that emphasis be placed not on the design of a product, but on its technical performance. These principles are applied to ensure that bidders are not discriminated against based on their country of operation or product's origin, and to guard against products sourced either domestically or from one particular country receiving unfair preference over another.

We believe that G20 members' adoption of a "common approach" to ensuring that bidders are detecting and appropriately addressing instances of child labour in their products' value chains, no matter where or how they are produced, is consistent with these principles. It takes the emphasis away from the country of origin, and instead focuses on the bidders' policies and due diligence practices.<sup>82</sup>

A common approach would also enhance transparency and create a level playing field for companies bidding across national and municipal borders. Companies familiar with the details of a particular jurisdiction's public procurement regime would not have an advantage over companies more familiar with a different regime, as the principles relating to addressing child labour in value chains would be based on the same common approach. Of equal importance, a common approach would guard against social criteria being misused to advance protectionist trade agendas.

### **Public procurement as part of a "smart mix" of regulatory initiatives**

In his report to the UN Human Rights Council, Professor Ruggie advised that "States should not assume that businesses invariably prefer, or benefit from State inaction, and they should consider a smart mix of measures – national and international, mandatory and voluntary – to foster business respect for human rights".<sup>83</sup> World Vision proposes that the inclusion in public procurement processes of criteria requiring companies to exercise due diligence to identify and address child labour in their GVCs is a part of this "smart mix". That is, public procurement reform should not replace existing initiatives aimed at addressing child exploitation in GVCs, but instead should be established as an integral part of a broader policy commitment that utilises a "smart mix" of regulatory and voluntary approaches.

Used in such a way, the inclusion of social criteria in public procurement processes sends a powerful message about the standards required of companies with which a government does business. It is also a useful way of raising those standards in a non-prescriptive way. Rather than telling companies what to do, governments can support and encourage corporate efforts to

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<sup>80</sup> Brazil, Mexico and South Africa are WTO members but are not currently party to, nor observers of, the Agreement on Government Procurement.

<sup>81</sup> See, for example, McCrudden, C., "Corporate Social Responsibility and Public Procurement", in McBarnet, D., Voiculescu, A. & Campbell, T (eds.) (2007), *The New Corporate Accountability: Corporate Social Responsibility and the Law*, Cambridge University Press.

<sup>82</sup> We recognise that the complexity of this area exceeds the scope of this paper. For a detailed analysis of the relationship between human rights and international trade law, see, for example, Joseph, S. (2011), *Blame it on the WTO?: a human rights critique*, Oxford University Press, pp.117–120.

<sup>83</sup> United Nations Office of the High Commissioner for Human Rights (2011), "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework", p.5.



better detect and address instances of child labour in their value chains while also providing a clear business incentive to do so.

This kind of flexible, non-prescriptive approach tends to be preferred by business<sup>84</sup> and is also less likely to be regarded as interference in the regulatory policies of other states than more prescriptive “command and control” type measures.

Introducing criteria that ensure that child labour is identified and addressed in public procurement value chains is both effective and appropriate as a way for states to meet their duty to protect children from economic exploitation. Developed in accordance with an agreed common approach, such initiatives would be in line with states’ other legal and policy obligations, would enhance procedural fairness, promote fairness and transparency, and help companies, contractors and subcontractors by providing clear and coherent guidance on the terms of doing business with government.

### **Existing and emerging practice**

A number of states and municipalities are making moves to reform their public procurement policies to better account for both social and environmental concerns. We are encouraged by the general trend in this direction and the emergence of a concept widely referred to as “socially responsible public procurement”. Unlike “Fairtrade”, however, which is a label that guarantees, among other things, verified compliance with the ILO Core Labour Standards, terms like “socially responsible public procurement” and “social procurement” offer no such assurances. The mere existence of a “socially responsible public procurement” policy provides no guarantees as to the level of commitment to non-use of child labour, robustness in verification, or even that non-use of child labour is included in eligibility or contracting criteria.

The scope of this paper does not permit analysis of each G20 member’s progress in implementing socially responsible public procurement agendas, so the following examples have been selected for their illustrative value and do not represent an exhaustive list or qualitative judgement.

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<sup>84</sup> See, for example, Tschopp, D. & Nastanski, M. (2013), “The Harmonization and Convergence of Corporate Social Responsibility Reporting Standards”, *Journal of Business Ethics*, pp. 1–16.





## Two examples of existing practice

Since 2002, the City of **Munich** has been widely regarded as one of the leaders in socially responsible public procurement in Germany, particularly in relation to excluding from eligibility products produced through child exploitation. What is particularly interesting about the City of Munich's policy is the staged approach it takes to the complex issue of verification and monitoring.

The City of Munich has stated a long-term goal of complete inclusion of the eight core ILO Conventions in all of its public procurement. However, recognising the challenges of establishing an effective auditing process, interim measures have been put in place. In the first instance, companies bidding for Munich City Council procurement contracts are required to demonstrate compliance with a relevant certification label that guarantees a certain level of verification and monitoring. Where a product category is not covered by a recognised certification label, until such a label can be identified or developed, "bidders must provide self-declarations to declare that they and their sub-contractors or suppliers, do not include goods produced through the use of exploitative child labour".\* A critical element of the evolving nature of Munich City Council's approach is its intention to work with suppliers in raising awareness of social criteria, to discuss existing problems and to work towards establishing product-specific social criteria.

In 2007, the City of **Toronto**, Canada, introduced its policy, *Purchase of Products Manufactured in Factories where Children are used as Slave Labour or other Exploitive Circumstances which Impedes Child Development*. The policy requires that bidders declare whether "products offered have been made in factories in countries where children are used as slave labour or other exploitive circumstances which impedes child development" and states that preference will be given to bidders that "obtain products from any country other than the aforementioned".^

World Vision is aware that the City of Toronto is currently developing a broader *Toronto Social Procurement Policy*, and we look forward to seeing how the city's approach to addressing child labour in its public procurement value chains evolves under the new policy. As things currently stand, we do see a number of problems with the current approach, though we do not believe that any of these issues are unique to the City of Toronto.

Firstly, the policy refers only to products made in factories, and we know that the majority of child labour occurs earlier in the value chain. Of equal concern is the fact that while the policy states that the criteria will not disqualify bidders based on a product's country of origin, the giving of preference to products that have not been sourced from a country that is known for child labour could be effectively the same thing. Basing the criteria on the country of origin, rather than the particular factory, removes an important incentive for raising standards in countries where child labour is a common problem. This simplistic approach also increases the risk of social criteria being used as a form of hidden protectionism.

\* The Landmark Project, "Verifying Social Responsibility in Supply Chains: a practical and legal guide for public procurers" <http://www.landmark-project.eu> (accessed 17 November 2013).

^ City of Toronto (2007), "Purchase of Products Manufactured in Factories where Children are used as Slave Labour or other Exploitive Circumstances which Impedes Child Development", Purchasing and Materials Management Division.



## The need for a common approach

Social and human rights issues are gradually joining environmental issues in the list of criteria that public authorities are taking into account when awarding contracts for goods and services. World Vision welcomes this; however, we are aware that it creates new regulatory challenges, and we suggest that greater coordination could address some of these challenges. If present trends persist, and authorities continue to develop these policies in isolation, a highly fragmented system is likely to emerge, with companies facing different requirements in different jurisdictions, both in terms of baseline standards and verification requirements.

Tschopp and Nastanski draw a parallel with the evolution and convergence of global financial reporting standards. They argue that just as the existence of “multiple financial reporting standards represents a trade barrier and impedes economic growth, the use of multiple Corporate Social Responsibility (CSR) reporting standards may also represent a trade barrier, impeding social and environmental performance”.<sup>85</sup>

For example, across the European Union, a number of different verification mechanisms and schemes have been developed and applied by some of the leading nations in socially responsible public procurement. Bidder declarations are preferred in Germany, for instance, while Sweden has developed a follow-up questionnaire to confirm whether bidders have met the requisite social criteria.<sup>86</sup>

World Vision is not in a position to declare whether one verification system is better than the other, and indeed there may be situations where a particular verification system or even a combination of systems will be more appropriate. However, the fact that clear preferences are beginning to emerge and differ across municipal and national borders is likely to disadvantage companies domiciled in countries that prescribe a different approach.

Similarly, there is little consistency in the underlying objectives and the definitions employed, even across regimes that explicitly emphasise child labour. While Munich City Council’s approach emphasises compliance with the ILO Core Labour Standards, for example, in the United States, Executive Order 13126 on the *Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labor* emphasises forced and indentured child labour, a definition that does not capture all forms of child labour as defined by the ILO and does not even necessarily capture each of the *worst forms*.

Even where the underlying objectives of, for example, certification labels are fairly consistent and use the standards articulated in the ILO Conventions and Convention on the Rights of Child as reference points, different schemes require different implementation, monitoring and verification processes. Again, this complicates matters for businesses bidding for contracts in multiple jurisdictions, but it also creates dilemmas for public authorities in choosing suitable mechanisms and can lead to bureaucratic inefficiencies. Not only is there variation in the robustness and quality of these schemes, there is also a lack of clarity and consensus at present as to the best strategies to ensure compliance by companies working in different industries.

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<sup>85</sup> Tschopp, D. & Nastanski, M. (2013), “The Harmonization and Convergence of Corporate Social Responsibility Reporting Standards”, *Journal of Business Ethics*, pp.1–16.

<sup>86</sup> For a detailed analysis of different verification mechanisms employed in several European nations, see: The Landmark Project, “Verifying Social Responsibility in Supply Chains: a practical and legal guide for public procurers”.



A common approach, adopted in the first instance by G20 governments, would help to create individual regimes that are fit for purpose, meet a shared objective, work in a way that does not place excessive burdens and compliance issues on companies, and can be administered effectively and efficiently by relevant public authorities.

### **Objectives of a common approach**

World Vision believes that the specific details of a common approach should be determined through a process of consultation and co-creation with business, government and civil society stakeholders. However such a process unfolds, there are some core objectives that a G20 common approach to addressing child labour through public procurement should include:

1. Ensuring that the measures underlying individual regimes reflect international standards;
2. Reducing the regulatory and compliance burdens on companies;
3. Ensuring that regimes are not misused as a form of hidden protectionism and do not create barriers to trade;
4. Improving efficiency and helping to reduce the implementation and monitoring costs to governments and public authorities; and
5. Creating opportunities for international cooperation in the future.



## KEY ELEMENTS OF A COMMON APPROACH

For a common approach to be adapted to different national and industry contexts, and in order to keep track of emerging best practice, it is important to allow for a certain level of flexibility. At the same time, there are certain key elements that are vital to achieving the objectives listed above and that should be central to any common approach to addressing child labour in public procurement GVCs. The following elements draw on lessons from some of the leading private and business-led corporate social responsibility initiatives, and consider these lessons in the context of the international legal and policy frameworks outlined earlier in this paper. World Vision is not explicitly endorsing any of the initiatives mentioned in this section, nor should the absence of any particular initiative be seen to have any significance. Rather, the initiatives discussed have been chosen for their illustrative value only.

### **An underlying set of standards to guide behaviour**

All private and business-led initiatives start with an underlying set of standards or aims.

For some, such as GoodWeave, a network of not-for-profit organisations that maintains a labelling process to certify non-use of child labour in the production of rugs and carpets, the elimination of child labour in the supply chain is the primary motivation. For others, such as the Ethical Trading Initiative (ETI) and the Fair Labor Association (FLA), it is one of a number of goals related to human rights and labour rights. For some, such as the Fairtrade Foundation and Rainforest Alliance, while the elimination of child labour may not be the primary goal of the organisation, participant companies will nevertheless sign up to criteria relating to non-use of child labour as part of a package of ethical standards.

There are still many public procurement regimes, however, that do not account for child labour in value chains, and few (if any) take full account of recent international standards such as the UN Guiding Principles on Business and Human Rights and General Comment No 16 on State Obligations Regarding the Impact of the Business Sector on Children's Rights.

In developing a common approach to addressing child labour through G20 public procurement GVCs, the first task should be establishing an agreed-upon definition of the different categories of child labour and identifying which types should be prioritised for elimination. We propose that the ILO definitions, as introduced early in this paper, be adopted, as they are the most comprehensive and widely accepted. We further propose that the G20 prioritise addressing *worst forms of child labour*, with a particular emphasis on hazardous forms at the early stages of value chains, as this is where public procurement reform is likely to have the greatest impact and, we would argue, where the need is the greatest.

### **Robust methods for assessing compliance**

While a certain level of flexibility will, we believe, be an important element of the success of a G20 common approach to addressing child labour in public procurement value chains, robust methods for assessing compliance will be vital. Without some sort of compliance checklist, the common approach will not bring any certainty to governments or businesses, and confirming compliance further down the value chain will be an impossible task. Clear and transparent assessment methods are a valuable tool to ensure that the common approach does, in fact, create a level playing field and does not lead to unfair discrimination.



Membership organisations are typically underpinned by a code of standards that may be backed up with more detailed standards to ensure consistency and coherence of implementation by members. For instance, the FLA uses a very detailed compliance checklist against which the performance of members is benchmarked.

These are said to be “based on International Labor Organization standards and internationally accepted good labor practices” and are designed to help companies “comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Workplace Code in their applicable facilities”.<sup>87</sup>

### **Due diligence guidance and support**

Once the underlying standards and methods for assessing compliance have been established, it is important that both state authorities and companies can access guidance and support in relation to how due diligence should be carried out.

Supplementary guidance on supply chain management is supplied to FLA members in the form of the organisation’s *Principles of Fair Labor & Responsible Sourcing*. In 2013, the Norwegian Ethical Trading Initiative launched its own guidance on supply chain due diligence based around a “five step model” designed to reflect the approach taken in the UNGPs.

Some membership organisations, such as the FLA and the ETI, offer members ongoing training on practical and legal issues associated with supply chain management as part of membership benefits. Another oft-mentioned source of support for companies provided by membership bodies is provision of events and a forum in which to discuss and exchange information about best practice.

### **An approach that is guided by the best interests of the child**

World Vision emphasises that the elimination of child labour is part of a broader goal to improve child well-being and that the best interests of the child should be at the heart of any effort to address child labour. This will sometimes mean that immediate removal of a child from their place of work, for example, is not the appropriate action. A common approach should ensure that public procurement regimes reflect this as a core principle.

In private and business-led initiatives, standards and guidance for members and suppliers will almost always include requirements (or at least guidance) as to the steps that must be taken to support and assist child labourers and their families. Under the ETI Base Code, member companies commit to “develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child”.<sup>88</sup>

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<sup>87</sup> Fair Labor Association, “FLA Workplace Code of Conduct”, <http://www.fairlabor.org/labor-standards> (accessed 17 January 2014).

<sup>88</sup> Ethical Trading Initiative, “ETI Base Code”, <http://www.ethicaltrade.org/eti-base-code> (accessed 26 January 2014).



More detailed example provisions can be found in the GoodWeave Standard.

### **GoodWeave Action Plan in the event that suppliers are discovered to have been using child labour**

Children found working by GoodWeave inspectors are offered rehabilitation and related support, such as clothing, food and shelter, and are provided with educational opportunities. GoodWeave takes the following approach when child labour is found:

- Removal of children from the work place (as appropriate to the situation).
- Counselling and care of the child and its parents.
- Advocacy of child rights.
- Assistance to the child in enrolment to educational institutions.
- Successful rehabilitation into the community.
- Ongoing support.
- Follow up and tracking.
- Prevention of recurring cases through awareness raising and village-based interventions.
- GoodWeave ensures that appropriate measures are taken to remove children from work, to return them to their respective families where possible and encourage them to go to school.
- GoodWeave ensures that children removed from work do not go back into the work force. Collaboration is established with civil society organisations and local NGOs, as well as with various regional government departments such as the department of labour, child welfare, education, police and judiciary, youth affairs, women's development, community governing bodies (e.g. *panchayats*).
- GoodWeave ensures that children who are trafficked or otherwise brought from other places are provided rehabilitation and reunited with their families.

Source: GoodWeave International, "Generic International Standard for Rug Producers (2012)", <http://www.goodweave.org/uploads/GWI-Generic-Intl-Standard-v2-3.pdf> (accessed 1 February 2014).

### **A cooperative and remedial approach**

World Vision does not support the outright exclusion of companies operating in high-risk countries from tender processes, and in the event that suppliers fail to comply, at least in the first instance, we advocate a remedial approach. We believe that closing off opportunities to access international markets can exacerbate the underlying causes of child labour in the long term and also removes an important incentive to raise standards in countries where use of child labour is most common.

Self-regulatory and business-led initiatives frequently contain detailed guidance regarding what should be done in the event that child labour is found in a value chain. While suspension of the relationship with the producer is a possible option, there is usually time built in for discussion and remediation. Termination of membership or revocation of the right to use an ethical label is usually only a last resort. As the ETI puts it, "we don't expect any company to be perfect when they join ETI, but we do expect commitment, direct involvement and improvement over time".<sup>89</sup>

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<sup>89</sup> Ethical Trading Initiative, "What Companies Sign Up To", <http://www.ethicaltrade.org/about-eti/what-companies-sign-up-to> (accessed 26 January 2014).



Similarly, under both ETI and FLA, companies are expected to assist with capacity building and to work with suppliers to correct problems found in the supply chain, rather than immediately severing the business relationship.

According to the ETI Principles of Implementation, “the company terminates supplier relationships where serious breaches of the Code persist only after reasonable attempts have been made to work with the supplier to implement improvements, and where there is no reasonable prospect of securing improvements. Such terminations should be carried out in a responsible way”.<sup>90</sup>

### **Independent and external verification**

Independent and external verification is an important issue that bears considerable thought and discussion and will need to be assigned a high priority in designing a common approach to G20 public procurement reform. There are numerous verification mechanisms available, and some will be more suitable for particular industries and circumstances than others. We suspect that there will be a limit to how prescriptive a G20 common approach can be in regard to the type of verification mechanism employed and, again, we recognise the value of maintaining flexibility. However, we stress that at a minimum, a G20 common approach should require independent and external verification of performance against the common approach’s underlying set of standards.

Many private and business-led initiatives now make arrangements for “independent” and “external” verification of performance. Fairtrade Foundation, for instance, uses the services of FLO-CERT. Tobacco manufacturers involved in the Social Responsibility in Tobacco Production programme use a consultancy called “ABSustain” to validate annual supplier submissions. The ETI and the FLA both offer verification and validation services to members. However, while there appears to be a commitment to independent and external verification in principle, questions are frequently raised about the independence of these arrangements in practice (eg, whether a membership body is “independent” as regards businesses on which they rely for financial support).

### **Access to reliable information about suppliers and supply chains**

In their background paper for the Labour Standards and Poverty Reduction Forum of the UK Department for International Development, Bell and Usher suggest that allowing “public sector procurement departments to share data on suppliers where they have similar supply chains”<sup>91</sup> could mitigate the costs of monitoring with the use of an audit model. In establishing a common approach to G20 public procurement reform, it would be worth considering the feasibility of sharing supplier and supply chain data across member country public sector procurement departments in a similar way.

Guidance, as well as membership criteria, for private and business-led initiatives stresses the importance of proper data collection and monitoring of suppliers. At a minimum, corporate participants in the FLA agree to keep up-to-date information about suppliers and to “collect and manage” data on supplier compliance. This is obviously a challenge in relation to extended

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<sup>90</sup> Ethical Trading Initiative (2009), “ETI Principles of Implementation”, p.3  
<http://www.ethicaltrade.org/sites/default/files/resources/Principles%20of%20Implementation%2C%20ENG.pdf> (accessed 26 January 2014).

<sup>91</sup> Fair Labor Association, “FLA Workplace Code of Conduct”, <http://www.fairlabor.org/labor-standards> (accessed 17 January 2014).



GVCs, especially where there are difficulties with traceability. A recent development, to help companies cope with these challenges, has been the emergence of supplier databases such as SEDEX. This online tool allows member companies (supply side as well as customer side) to pool and share information relating to suppliers and supplier performance in relation to ethical issues.

### **Easily accessible complaints procedures**

Given the complexity and opacity of many GVCs, any auditing process should be supported by an easily accessible complaints procedure or grievance mechanism. It is especially important to ensure that subcontractors, particularly at the early stages of value chains, have access to these procedures and are able to take their concerns either to a parent company or other managing authority.

Not all private and business-led initiatives have a complaints procedure, but some clearly regard such procedures as important, not just from an accountability point of view but also as a way of obtaining feedback from stakeholders. The FLA operates a procedure whereby unions, workers and civil society organisations can complain about serious violations of workers' rights by members or "facilities used by members". The FLA can conduct its own investigation if necessary and make recommendations for remediation. Complaints can be made online, using a ready-made form. The Fair Wear Foundation (FWF) has also established a complaints procedure to enable people to report breaches of the initiative's underlying code of conduct. This is a simple "stop-gap" procedure that is designed to help where there are no other workable grievance mechanisms. For each of the countries where the initiative is operating, there is a local "complaints handler", who is responsible for ensuring "that workers making products for FWF affiliates can safely and fairly seek redress for violations of the Code".<sup>92</sup> Private and business-led initiatives also encourage the establishment of site-level grievance mechanisms. For instance, under the ETI Principles of Implementation, "the company ensures that mechanisms exist to enable workers in its supply chain to report confidentially and without detriment any failure to observe the Base Code and to deal with such complaints".<sup>93</sup>

### **Engagement with local NGO partners**

Just as private and business-led initiatives draw on support and local knowledge from community and NGO partners, a G20 common approach should reflect the importance of engaging with civil society.

Examples of collaboration with NGOs and other community groups include providing assistance and advice in relation to specific programmes, taking an active part in verification and monitoring of standards and providing a local point of contact for workers and their representatives. Guidance for companies typically stresses the importance of consultation with civil society in the context of corporate due diligence and monitoring activities.

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<sup>92</sup> Fair Wear Foundation (2009), "FWF Complaints Procedure", <http://www.fairwear.org/514/about/verification/> (accessed 26 January 2014).

<sup>93</sup> Ethical Trading Initiative (2009), "ETI Principles of Implementation", p.3, <http://www.ethicaltrade.org/sites/default/files/resources/Principles%20of%20Implementation%2C%20EN%20G.pdf> (accessed 26 January 2014).





## CONCLUSION AND RECOMMENDATIONS

Child labour hurts children, their communities and the economies of the nations in which they toil.

In our increasingly interconnected global economy, the fact that more than 10 per cent of the world's children are trapped in conditions detrimental to their potential and dignity and harmful to their physical and mental development is bad for all of us, and it is, quite simply, unacceptable.

World Vision knows that eliminating child labour from public procurement supply chains will not solve the problem completely; this proposal is no more a silver bullet than any other. However, we do believe that the G20, as an influential forum with a focus on inclusive economic growth, has an opportunity to make a major financial impact on the market for goods produced through the suffering of children. Perhaps just as importantly, we see this as an opportunity for the G20 to send a clear message to businesses and consumers all around the world that *everyone* should benefit from GVCs, and never at the expense of a child.

As the leaders of the G20 governments prepare to meet in Brisbane in 2014, we ask them to take an important first step in demonstrating their commitment to the world's vulnerable and exploited children by developing and implementing a common approach to the reform of public procurement policies, which:

1. Obliges public authorities in G20 countries to introduce eligibility requirements in their tender processes that ensure that companies take sufficient steps to identify, report and address child labour at every stage of their products' value chains;
2. Is grounded in the *Protect, Respect, Remedy* framework as articulated in the UN Guiding Principles on Business and Human Rights and General Comment No 16 on State Obligations Regarding the Impact of the Business Sector on Children's Rights;
3. Ensures that public authorities follow the example set by existing leading multi-stakeholder initiatives, and address supply chain labour standards issues in a manner that clearly prioritises the best interests of the child, and works *with* suppliers, with termination of the contractor/supplier relationship used as a last resort; and
4. Draws on international best practice in relation to the design and implementation of compliance regimes, the exercise of proper due diligence, the verification and monitoring of corporate compliance (including through communication and reporting of performance), and in the handling of complaints.



## CONTACTS

### **World Vision International Executive Office**

**1 Roundwood Avenue, Stockley Park  
Uxbridge, Middlesex UB11 1FG  
United Kingdom  
+44.20.7758.2900**

### **World Vision Brussels & EU Representation ivzw**

**World Vision House  
18, Square de Meeûs  
1st floor, Box 2  
B-1050 Brussels  
Belgium  
+32.2.230.1621**

### **World Vision International Geneva and United Nations Liaison Office**

**7-9 Chemin de Balexert  
Case Postale 545  
CH-1219 Châtelaine  
Switzerland  
+41.22.798.4183**

### **World Vision International New York and United Nations Liaison Office**

**919 2nd Avenue, 2nd Floor  
New York, NY 10017  
USA  
+1.212.355.1779**

**[www.wvi.org](http://www.wvi.org)**

