

Löning

Human Rights &
Responsible Business

Briefing
paper

Eliminating Child Labour

Recommendations for Business Action



Introduction

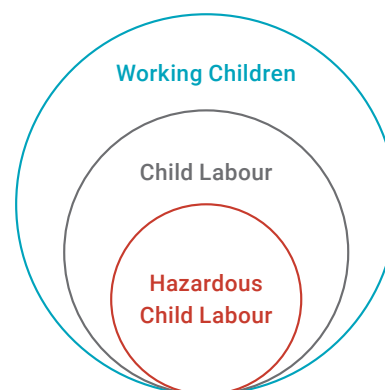
Authors: Simon Töpfer,
Theresa Quiachon

With 2021, the International Year for the Elimination of Child Labour, having come to an end, we are publishing this briefing paper to outline the ways companies impact children's rights and the actions businesses can take to help eliminate child labour. To do so, we derive insights from the cobalt mining and cocoa industries.

According to estimates by the ILO and UNICEF, there are 160 million children involved in child labour, including in hazardous child labour, worldwide.⁰¹

⁰¹ ILO and UNICEF (2021): Child Labour – Global Estimates 2020, Trends and the Road Forward.

This means that almost one in ten children globally are engaging in activities that may compromise their physical, mental, social, or educational development.



Not all work performed by children is defined as child labour

Global progress to end child labour has stalled for the first time in 20 years and in the last four years alone, the number of child labourers has increased by roughly 10%, leading to an additional 8.4 million children in the labour market. The ongoing effects of the COVID-19 pandemic are expected to exacerbate this trend as parents struggle to provide subsistence incomes and more children are forced to work to support their families, rendering prospects to eradicate child labour globally by 2025 relatively bleak, if not impossible.

What are ways in which corporations impact child labour?

Children in global supply chains and their rights are interconnected with labour rights and other human rights. Violations of these often have complex root causes that must be addressed together.

For many companies based in the EU or in other countries with strong rule of law, the risk of child labour in the company's own facilities may not be significant. One needs to look deeper into the issue, however, as child labour, including the worst forms of child labour, are often found throughout the supply chain. It can be prevalent where a large number of several subcontractors obscure whether workers' and children's rights are adhered to.

The ILO and UNICEF estimate that



70% of child labour occurs in agriculture,



approximately 20% in services



and 10% in industry.

It is nonetheless important to note that while child labour is more prevalent in certain industries, the issue is not limited to a specific industry.⁰²

The leather industry in Bangladesh is a concrete example of how child labour can be hidden in supply chains. A 2021 mapping of the worst forms of child labour in the leather sector of Bangladesh found that, although the formal production of branded leather goods has become better regulated, the informal leather sector continues to use child labour at every stage of the supply chain.⁰³ Much of the informally produced goods are sold in domestic and regional markets, yet some inevitably feed into the formal, branded leather goods sector.⁰⁴

⁰² U.S. Department of Labor (2021): List of Goods Produced by Child Labor or Forced Labor ⁰³ Maksud, A K M; Hossain, K.R.; Sayed, S. and Arulanantham, A. (2021) Mapping of Children Engaged in the Worst Forms of Child Labour in the Supply Chain of the Leather Industry in Bangladesh, CLARISSA Emerging Evidence Report 5, Brighton: Institute of Development Studies, DOI: 10.19088/CLARIS-SA.2021.005 ⁰⁴ Ibid.

What can companies do to help eliminate child labour?

Eliminating child labour is an integral part of the requirements under existing and expected legislation on supply chain due diligence, for instance in Germany and Switzerland. In the US, the Trade Enforcement Act requires all importing companies to show that their products were not made using child or forced labour. At the EU level, the first draft of the EU due diligence legislation is planned to be presented in 2022. These due diligence laws require corporate commitments to help eliminate the worst forms of child labour from their supply chains and improve the conditions of working children.



Eliminating child labour is an integral part of the requirements under existing and expected legislation on supply chain due diligence



For most companies though, it is challenging to identify effective actions for going beyond written statements. Apart from being hidden in an obscure network of sub-contractors or further down in the supply chain, where it is hard to detect, child labour is an issue companies may have limited scope to influence. For instance, the cocoa market is controlled by state actors and large financial institutions who set long-term price-setting arrangements, leaving companies with few options to address poverty by simply adapting purchasing prices.⁰⁵

Nonetheless, there is a range of tools which businesses can employ to eliminate child labour in their supply chains. As will be apparent below, however, these tools need to be developed and implemented in alignment with all stakeholders, including state actors and civil society organisations. The cobalt mining and cocoa industries are two contexts where businesses can take concrete actions to address child labour.

⁰⁵ Reuters ([2021](#)): Swiss chocolate makers focus on incomes to end child labour

Insights from the artisanal cobalt mining and the cocoa industries

Human rights issues in cobalt mines have come under increasing scrutiny with the steadily rising demand for cobalt, a key component of rechargeable batteries, including those used in electric vehicles and everyday electronics. Over 70% of the global cobalt production and half of the world's cobalt reserves are located in the Democratic Republic of the Congo (DRC). 15% to 30% of Congolese cobalt is extracted in artisanal and small-scale mining (ASM) and recent estimates suggest that roughly 40,000 children are working on ASM sites.⁰⁶ Most ASM activities in the DRC are illegal in nature as 87% of them take place on large-scale industrial mining (LSM) concessions, an operation that is illegal without an agreement with the concession holder.⁰⁷ Furthermore, industrial mining companies rarely hire large numbers of locals and benefits in LSM are seldomly distributed to surrounding communities.

⁰⁶ U.S. Department of Labor (2020): 2020 Findings on the Worst Forms of Child Labor.

⁰⁷ Save the Children and The Centre for Child Rights and Business (2021): Opportunities for Businesses to Promote Child Rights in Cobalt Artisanal and Small-Scale Mines.

⁰⁸ Entreprise Générale du Cobalt SA.

In this context, formalisation of ASM is key to tackling child labour. The EGC Responsible Sourcing Standard,⁰⁸ launched by the DRC government last year, is a positive step towards formalising the entire artisanal cobalt mining sector as it will apply to all artisanal cobalt mining activities in the DRC. To ensure that the responsible sourcing standard addresses the right issues and to improve its implementation on the ground, companies producing, or sourcing cobalt can share their experiences and the challenges they face with the DRC government and industry peers.



Specifically, companies can support efforts to eliminate child labour through the formalisation of ASM by building alliances with other players in the wider battery supply chain and develop common strategies.

Such strategies, however, must tackle the root causes of child labour. Business interventions to end child labour must be multi-layered and address the working conditions as well as community development surrounding the mines. As it is the case in other contexts, artisanal mining communities in the DRC often lack alternative sources of income and education is unaffordable for many, driving children to work in the mines to pay for their education or to help their parents earn a living.⁰⁹ It is therefore crucial that alliances with industry peers and civil society support families and, in particular, children in local mining communities. One such initiative is Cobalt 4 Development, a development project by the German development organisation GIZ and funded by several large players, such as BMW, BASF, Samsung and Volkswagen. This project not only pushes for improved conditions in the mines but also funds access to education, promotes alternative livelihoods and supports the community elsewhere.¹⁰

Insights from the cocoa industry, where child labour is especially prevalent, further showcase the need for holistic approaches focusing on a variety of root

causes of child labour. In Ghana and the Ivory Coast, which produce 17.2 % and 45 % of global cocoa respectively, low farmgate prices for cocoa farmers and the resulting poverty are the main drivers of child labour.¹¹ Correspondingly, farmers often lack the financial means to improve their equipment and increase productivity on their farms. This, in turn, drives deforestation in both countries. An increase in the application of voluntary certification standards among farmers has led to improved crop quality, increased productivity and – to an extent – increased incomes. However, market demand for certified cocoa has been lower than what is produced, and a substantial amount of certified cocoa is therefore merely sold at regular prices.¹²



Additionally, the two governments have introduced the Living Income Differential (LID) to be paid to farmers to guarantee a minimum farmgate price even when international prices drop below a certain threshold.

⁰⁹ World Economic Forum: Making Mining Safe and Fair: Artisanal cobalt extraction in the Democratic Republic of the Congo ¹⁰ Cobalt 4 Development (2021). ¹¹ NORC (2020): Assessment of Effectiveness of Cocoa Industry Interventions in Reducing Child Labor in Cocoa Growing Areas of Côte d'Ivoire and Ghana. ¹² Ingram, V., van Rijn, F., Waarts, Y. and Gilhus, H. (2018): The Impacts of Cocoa Sustainability Initiatives in West Africa.

This is supported by large companies involved in the cocoa industry such as Barry Callebaut, Mars Wrigley, and Nestlé and certification brands such as Fairtrade. Sector-wide cooperation with the governments of Ghana and the Ivory Coast is important to prevent disengagement by market actors and if successful, such a cooperation could substantially improve household incomes of farmers. While the European Commission, in an analysis of different possible scenarios, estimates that the impacts by the LID would range from “none to substantially positive”,¹³ different factors such as market and consumer reactions remain to be unknown. Additionally, there are open questions over how the LID will be distributed, how it is paid and whether the countries maintain the support of the policy despite a loss of government income through levy reduction to 30%.

The International Cocoa Initiative (ICI), a multi-stakeholder partnership of some of the largest chocolate companies, processors, traders, unions and international organisations¹⁴ is an example of an effective initiative between key stakeholders. It was implemented building

on community-based monitoring, farmers’ groups and suppliers’ work to raise awareness about the dangers of child labour, identify it and provide remediation at individual and community levels.¹⁵



Through this collaborative effort, hazardous child labour was reduced by one-third in communities where company programmes were in place for at least three years.

Overall, different interventions at different levels can improve the lives of cocoa farmers and thus, contribute to the elimination of child labour. To ensure the success of such policies, all stakeholders, farmers, certification bodies, manufacturers and governments must cooperate to embed single tools in a holistic, sector-wide approach.¹⁶

¹³ European Commission (2021): Impacts of the Cocoa Living Income Differential Policy in Ghana and Côte d’Ivoire. ¹⁴ ICI (2021): About ICI. ¹⁵ Mars Wrigley (2021): Respecting Human Rights in the Cocoa Supply Chain. ¹⁶ Ingram, V., van Rijn, F., Waarts, Y. and Gilhus, H. (2018): The Impacts of Cocoa Sustainability Initiatives in West Africa.

Key takeaways for companies

In both cases, businesses have key roles to play in the elimination of child labour in supply chains. Business action to improve working conditions, such as in the form of supporting the formalisation of artisanal mining activities in the case of cobalt and by increasing productivity through certification standards in the case of the cocoa industry, is essential. So is acknowledging the fact that mere formal participation in sector initiatives does not provide protection of human rights.¹⁷

To be truly effective, such business actions require good relationships with upstream suppliers and producers and investment in long-term community programmes that incorporate rights-holders' perspectives. Additionally, vertical and horizontal collaboration in the industry and across the supply chain through sector initiatives is necessary for companies to meet their responsibility towards human rights.

In particular, companies must:

- understand the root causes of child labour in their supply chains,
- use their leverage to identify and prevent child labour as well as to address structural causes, and
- increase leverage through collaboration with peers, state actors and civil society.

Incorporating human rights into strategic decisions and businessmodels is a first step. As the two industry contexts examined in this briefing paper illustrate, it is only through collective action that companies can truly contribute to the efforts to end child labour globally.

¹⁷ MSI Integrity (2020): Not Fit-for-Purpose – The Grand Experiment of Multi-Stakeholder Initiatives in Corporate Accountability, Human Rights and Global Governance



We are an international management consultancy specialised in human rights. We provide businesses with the practical and strategic advisory they need to incorporate respect for human rights into their operations and along their value chains.



info@loening.org



www.loening.org