

The Political Economy of Child Labor and Its Impacts on International Business

RIGHT OR WRONG, PERCEPTIONS THAT GLOBALIZATION LEADS TO EXPLOITATION OF CHILDREN ARE BECOMING AN IMPORTANT PROBLEM FOR INTERNATIONAL BUSINESS.

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Child labor is linked to global business directly and, more commonly, indirectly. Critics blame increased trade and financial flows for increased child labor, and those criticisms have undermined the legitimacy of further trade and financial liberalization. Companies—including multi-nationals such as Nike, Wal-Mart, Ikea and the Brazilian subsidiaries of U.S. and European automobile manufacturers—have responded with a range of initiatives. Unless business responses alleviate the worst forms of child labor, the legitimacy of continued trade and financial liberalization will continue to be undermined by perceptions that liberalization disproportionately hurts children, especially child workers.

Children have worked for as long as families have needed all hands to pitch in. Beyond defining work as a means of survival, however, defining what work is appropriate for children and what (if anything) to do about inappropriate work involves more complex judgments—especially for firms doing business in the global economy.

The International Labor Organization estimates that around the world 250 million children between the ages of five and fourteen work, about 120 million of them full-time.¹ Some of these children work in factories and other workplaces in the formal economy, but the vast majority work in informal enterprises, agriculture and in homes. International firms are part of this economy not only if they hire children, but also if they buy goods or services from children or from companies that make such purchases.

International business has come under increased pressure from social activists, trade unions and others to help find new solutions to end exploitative work for children and to help them get the education and training they need to become productive adults. Companies in the spotlight include respected multi-national corporations as well as many other lesser-known businesses.

Child labor has been a concern of the formal, industrial economy since the beginning of the Industrial Age. By the end of World War II, however, most developed

countries had passed laws against child labor, at least in industry. Child labor had declined in developed countries in any case, due to a combination of several factors. These include the increasing sophistication of technology in the workplace (reducing the demand for low-skilled workers), greater productivity and consequently higher wages (reducing the need to send children to work instead of school) and higher school attendance (reducing the supply of child labor).

Child labor re-emerged as a public concern in the 1980s and 1990s. This time, worry was expressed across a broad spectrum of opinion—from United Nations agencies, to non-governmental organizations, educators, social workers, trade unions, cause-driven investors, and the news media—that “globalization” was increasing the incidence of child labor.² This time, “child labor” meant more than only children in industry. “Child labor” is now understood to mean children working in both the formal and informal economic sectors, in legal work and illegal occupations such as bonded labor, slavery, soldiering, and prostitution. That poses a new question: What kind of “child labor” should be of concern to international business?

From the disparate groups mentioned above has emerged a global campaign to eradicate child labor. One of the best-known parts of this campaign involves an effort to ban from international trade goods made by children. This linkage between child labor and trade makes child labor at least an indirect concern for many businesses. Even if firms do not themselves employ children, they operate within a global system of commerce, manufacturing, procurement and trade that—in part—does.

The balance of this paper explores the business economics of child labor in four parts. The first part outlines three dimensions of business links—direct and indirect—to child labor. The second part discusses the basic question that must be answered before any further discussion begins: What is child labor? Defining the difference between all child work and “child labor” is key to any assessment of the scope of the problem as well as appropriate responses. The paper then discusses the basic economics of child labor and some of the ways in which economic theory fails to account for the actual political economy of child labor. The next section presents examples of industries and firms that have been accused of using, or benefiting from, child labor, and how some have responded to the criticism. This section will draw from the previous discussions to assess trade and child labor. A conclu-

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sion will sum up lessons about international business and child labor.

International Business and Child Labor: Three Dimensions

Business’ role in the economy of child labor has at least three dimensions, both in the formal and informal economic sectors. The three dimensions are:

DIRECT: A firm or enterprise employs children directly.

As mentioned, the majority of direct employment is in the informal sector, where children take part in performing services, small-scale manufacturing, various agricultural occupations and work in the home. Many of these children are “hidden” workers, because they only work in their homes and thus do not show up in formal labor force statistics. Although many of these children are working under family supervision, full-time home work can bar a child from attending school; and many home-based activities can be as hazardous as work performed outside the home.³

In the formal sector, when children are employed, it is usually in businesses featuring fierce competition among producers, low barriers to entry, and labor-intensive work for relatively low-skill labor requirements. Examples are the garment and shoe industries.⁴ Also in this category are occupations (e.g. diamond-cutting in Surat, India) in which children are trained in a skill from an early age.

Direct employment also encompasses plantation agriculture producing such raw products as coffee, tea and sisal. Although plantation agriculture differs from the other examples because of its organization and relative capital intensity, several factors still discourage parents from sending their children to school instead of bringing them to work. These include traditional patterns of employment and payment; lax enforcement of labor laws allows the hiring of children; and the lack, inadequacy, and expense of schools and child care.

It should be noted that some international firms hire children directly, and the products of these children’s

At what age should a child be allowed to work? In what kind of job?

work is used by other companies in developed countries, as will be explained in the definition of the next dimension of business' relationships to child labor.

INDIRECT: Goods and services produced by children are purchased from other firms.

This dimension is increasing as formal sector firms purchase goods and services made by informal sector firms or enterprises, goods made in traditional home settings, and goods made by enterprises that have themselves outsourced production to home workers.⁵ In some cases, firms have been initially unaware that such production has a child-labor component. Examples of companies that have discovered inter-firm connections to child labor include importers (Ikea⁶) who sell hand-made rugs from India, Pakistan and Nepal; marketers of soccer balls (Nike, Reebok, Adidas⁷); sellers of coffee picked by children (Peet's, Starbucks⁸); and Brazilian automobile manufacturers (General Motors, Ford, Mercedes-Benz⁹) that used steel produced with charcoal made by children and their families. Retailers and brand-name licensors of merchandise made in sweatshops where children are employed also fit into this category.

Even in the United States, children have been found to provide products to major corporations. In 1997, an investigation by the Associated Press followed "the work products of 50 children to more than two dozen companies including Campbell Soup Co., Chi-Chi's Mexican restaurants, ConAgra, Costco, H.J. Heinz, Newman's Own, J.C. Penney, Pillsbury, Sears and Wal-Mart."¹⁰ (The AP reported that every company contacted condemned child labor, and some launched investigations into their suppliers' use of under-age workers.) "Some were older teens working a few too many hours in after-school jobs. But also among them were 59,600 children under age fourteen and 13,100 who worked in garment sweatshops, defined as factories with repeated labor violations." Employers, the AP estimated, saved \$155 million in wages by hiring these under-age workers instead of people of legal age. An estimate of the total number of child laborers in the United States, based on census data and workplace data, came to 290,200 children (down from two million a century earlier).

EXTERNAL: A firm or enterprise plays a part—beyond its direct business interests—in shaping opinions and policies concerning child labor in the local economy.

For reasons of altruism, image or other motivations, some firms play active roles to shape local-economy attitudes toward child labor and the educational institutions and social services that affect children. This third dimension has increased in prominence as global economic integration has led international business to playing a larger role in shaping the public policies of governments around the world.

What is Child Labor?

With these three dimensions in mind, the next thing that must be tackled is the question: What is "child labor"? The answer is fraught with anomalies and contradictions, reflecting a tangle of international standards, national laws, cultural practices and social expectations. The lack of a single answer complicates the process of formulating business responses to the issue.

It is important to note at the outset that the old stereotype of "child labor"—small children dwarfed by clanking machines in the textile mills of the early Industrial Revolution—fits only a small minority of child labor as defined today in international agreements or debates. To sum up, the phrase "child labor" today is a pejorative term that differs from the broader and less value-laden "child work." In general, "child labor" refers to children under 18 years old who work in both the formal and informal sectors, in conditions that are harmful or potentially harmful to the child. Underpayment of children for their work and other forms of exploitation, are also included.

One confusion surrounding this modern definition of child labor concerns the subject of age: At what age should a child be allowed to work? In what kind of job? One international standard, the ILO's 1973 convention on "minimum age" of work (Convention 138) sets the bar in adolescence. It declares that children should be allowed to work in most jobs if they are fifteen and older, in developed countries, or fourteen and older in developing countries. (The convention also approves of light work and apprenticeships for children as young as thirteen in developed countries or twelve in developing countries.)¹¹

But Convention 138 has not been ratified by many Asian countries, where children's ages are hard to determine or where a large number of children begin to work at an earlier age and the government cannot—or more often, has not—taken action to keep them in school longer. In an attempt to come up with a more universally acceptable

standard, in 1999, the ILO adopted a new convention defining and calling for an end to the “worst” forms of child labor. Convention 182 defines the “worst” forms of labor to include several forms of illegal work (prostitution, forced labor, bonded labor and slavery) as well as jobs that are harmful to a child’s mental, physical or moral well being. This narrower standard was adopted unanimously by the ILO’s membership, comprising representatives from governments, business and labor unions. A recommendation, passed concurrently, lists the types of work that might be included in each state’s definition of labor that is or might be harmful to a child’s mental, physical or moral well-being.¹²

One other standard deserves mention: the Convention on the Rights of the Child (CRC). Adopted by the United Nations in 1989, the CRC makes financial exploitation of children a violation of children’s rights.¹³

It should be noted business associations that are ILO members voted with government and trade union representatives to support Convention 182, the first unanimous convention adoption in the ILO’s fractious eighty-one year history. However, only a handful of countries has ratified the convention in a year, so it is clear that this convention has a long way to go before it amounts to more than good intentions expressed in the form of international diplomacy. These international standards, moreover,

are non-binding. The laws of individual countries define children and child-appropriate work differently, using different ages or different types of work. Add to that uneven enforcement of these laws, and the picture becomes very muddy indeed.

Many national laws set a minimum age for work. And yet, some child development experts believe that age is not always the best way to decide whether individual children are ready for work, or whether any particular kind of work is appropriate for a specific child.¹⁵ This may pose a real-world problem when a business that wants to follow the law finds that the children employed by vendors or suppliers seem fully capable of doing the work they are

employed to do, in which case both employers and children would resist excluding them from the work.

Any firm that has assessed its role in the three dimensions of business and child labor will have to come to its own understanding of what standard to use when drawing the line between acceptable child work, and objectionable child labor, keep-

ing at least three things in mind.

First, a firm with the best intentions can get caught between the values and expectations of different stakeholders not only in the business itself, but also in the international movement against child labor. Following the international minimum age of work standard (set by Convention 138) may be the only wise thing to do for companies that sell to consumers in developed countries. But careless enforcement of those standards could make life even worse for the child workers—and that could inflict damage on a company’s image, too.

That happened in Bangladesh in the early 1990s, when Sen. Tom Harkin proposed banning all imports to the United States of goods made by children. The threat alone caused a reaction among the garment manufacturers of Bangladesh, who sold more than half their products in the United States. Garment manufacturers began firing tens of thousands of children. No provision had been made for an alternative activity or income source for these children; and UNICEF later found some of them in other, worse jobs. Some had become prostitutes—although whether these workers had lost their jobs because of the so-called Harkin Bill or for some other reasons remains in dispute. The firing of the children shocked the activists behind the Harkin Bill, who put new pressure on the garment manufacturers to stop firing children until an alter-

Simple, straightforward actions to eliminate child labor may make children worse off than they were before.

National laws vary greatly. For example, in the U.S. Fair Labor Standards Act, which is the basic federal law governing child labor in the United States, children are allowed to do most kinds of “non-farm work” beginning at age 14. However, at any age, they may “deliver newspapers, perform in radio, television or theatrical productions, work for parents in their solely-owned non-farm business (except in manufacturing or on hazardous jobs); or, gather evergreens and make evergreen wreaths.”¹⁴ The FLSA allows children on farms owned by their parents to do many activities that a child working for a wage in a non-family business would not be allowed to do. That results in anomalies, such as children working heavy equipment on family farms at an age when they would not be allowed to make copies in an office not owned by their families.

nate plan could be worked out. Eventually, the garment manufacturers agreed on a unique new plan (discussed in detail below), which includes taking under-age workers out of the garment-industry and putting them into schools. What needs to be noted here is that the new plan involved costs that the manufacturers had not anticipated when they began firing their child workers.¹⁶

Second, firms must ask themselves: What is honest disagreement about child labor, and what is manipulation? When European anti-child labor activists first objected to imports of rugs made by children working in horrific conditions, and in bonded labor, the Europeans were opposed by rug merchants and manufacturers in Pakistan, India, and Nepal who said that the children were simply learning traditional skills passed down through their families. In some families, that was indeed the case. In other workshops, children had been recruited into working for unrelated employers, for long days, in poor working conditions and in bonded labor.¹⁷

Third, while some child labor involves what can only be called exploitation, other cases involve a mixture of exploitation and a measure of good will. Employers in industries as different as the Bangladesh garment industry and Mexican agriculture have voiced mixed motives for hiring children. The employers were clearly taking advantage of low-skilled workers, desperate for work even at low pay. But when these employers explained that some parents could not work if the children were sent home, they were also correct: many of the parents did not have child care or after-school care for their children.¹⁸

The employers' explanations sounded hollow when the employers had done nothing themselves to help provide child care or after-school care for the children of their workers. And yet, implementing any solution is never as simple as it might appear to outsiders. And in any case, identifying a solution involves determining whether any action taken by an individual firm will make a positive difference and what kind of action will make the most difference. (This is after the firm has decided it can afford the fix.) These topics will be explored below.

A last word about definitions: for the rest of this paper, for reasons of simplicity, "child *work*" will refer to all kinds of work, whether beneficial or harmful. "Child *labor*" will be defined as work perceived to be harmful, or potentially harmful, to the child, including underpayment and other forms of exploitation. Any more precise definition of child labor must be specific to local circumstances, involving "a comparison between the conditions of work on the one hand and age, gender and ability (of the child) on the other."¹⁹

The Economics of Child Work

The economics of child work involves supply and demand relationships on at least three levels: the supply and demand of labor on the national (and international) level; the supply and demand of labor at the level of the firm or enterprise; the supply and demand for labor (and other functions) in the family. But a complete picture of the economics of child labor cannot be limited to simply determining supply and demand functions, because the political economy of child labor varies significantly from what a simple formal model might predict.

Suppose a country could effectively outlaw child labor. Three consequences would follow: (1) the families (and the economy) would lose the income generated by their children; (2) the supply of labor would fall, driving up wages for adult workers; and (3) the opportunity cost of a child's working time would shrink, making staying in school (assuming schools were available) much more attractive. In principle, a virtuous circle would follow: with more schooling, the children would get more skills and become more productive adults, raising wages and family welfare.²⁰ To the extent that the demand for labor is elastic, however, the increase in wages implies that the total number of jobs would fall.

The labor supply effects are the basic outline of the logic that underlies almost all nations' laws against child labor, as well as the international minimum age standard set in ILO Convention 138 and much of the anti-child labor statements during the recent protests against the World Trade Organization, World Bank and International Monetary Fund.

This model does describe in very simplified form the long-term history of child work in the economic development of developed economies. But in the short-term, the virtuous circle seldom occurs in real life as quickly as the simple, static model suggests. The reason for the model's short-term failure is that child work results from a complex interweaving of need, tradition, culture, family dynamics and the availability of alternative activities for children.

History

History suggests that children tend to work less, and go to school more, as a result of several related economic and social trends. Some of the reasons why children work were discussed earlier. They point to a truism that is often overlooked in discussions about the economics of child labor: the political economy of a place plays at least as big a part as per capita income in determining the level of child labor there.

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- *Prosperity reduces both the incidence of child work and children as a proportion of the total workforce.* A World Bank graph plotting children in the work force against GDP per capita shows a dramatic fall in children's labor force participation up to \$1,000 GDP per capita.²¹
- *But national wealth alone does not determine, and cannot explain, incidence of child work and proportion of children in the work force.* At higher levels of GDP per capita, the relationship between the proportion of children in the labor force and per capita GDP is not as easily predicted. The World Bank has no strong explanation for this looser association between national wealth and children in the work force, apart from a possible statistical anomaly and "cultural differences." The closest association (or best "predictor") of proportion of children in the work force in an economy is the structure of production: child work is more likely to occur in economies with a greater share of agriculture in GDP.²²
- *The incidence of child work reflects the structure of the local economy.* Of the 250 million working children, sixty-one percent are in Asia, thirty-two percent in Africa, and seven percent in Latin America.²³ That makes some intuitive sense in that the bulk of the world's population is in Asia. The disproportionately large percentage of child workers in Africa, however, is due to the high proportion of children in the labor force—about two out of five. This reflects Africa's high rate of poverty and the high proportion of rural population in Africa.
- *Although child labor is most strongly correlated with poverty, child work also is partially determined by local structures of economy, finance and production, as well as cultural norms and practices.* Children are more likely to work, for instance, if they are from poor, minority or culturally marginalized populations. Girls are more likely to work in the home and many informal enterprises unregulated by law. Girls are also more likely, in many cultures, to be denied schooling.²⁴ A more complete list of determinants of child labor includes age, gender, family size, distance to and cost of schooling and parents' educational status. Also, child work is highly correlated with the incidence of family enterprises—but families who have their own enterprises are not always the poorest in their region.²⁵
- *In Western Europe and the United States industrial growth increased demand for skilled, adult labor and increased returns to education, thereby reducing child work, even before laws defining and curbing child labor were passed or implemented.* Nardinelli's (1991) landmark analysis showed that historically child labor incidence began to fall well before countries in Western Europe adopted national laws banning child labor. Businesses using increasingly sophisticated technology demanded workers with more education and literacy, and greater industrial productivity led to higher incomes for those workers. The payoff for becoming a literate adult worker rose; and, therefore, so did the incentive for children to stay in school.
- *Education is the most oft-cited "solution" to child labor.* Compulsory education laws, as well as the implementation of those laws and the provision of schools, helped reduce child work simultaneously—and arguably were a precondition for later, rapid economic growth. Perhaps the most influential study on this trend was by Myron Weiner (1991). Weiner argued that actively taking children out of the work force and putting them into schools helped to lay the foundation for subsequent economic growth that further reduced child work. Weiner's emphasis on the importance of compulsory education laws has been widely challenged, but there is widespread agreement among child labor researchers on one point of this thesis: that even countries with relatively low per capita GDP could improve their human capital, boost their economic growth prospects and improve the lives of their citizens by providing affordable, appropriate and accessible education to all. In addition, there is widespread agreement among economists that the failure to educate children tends to retard national economies.
- *The quality of schools is at least as important as quantity.* Schools alone will fail to mitigate child labor if they are inaccessible, open at inappropriate hours of the day, offer poor teaching and teach subjects that students and their parents do not think will help children more than the skills a child can pick up on the job.²⁶
- *Some analyses show that reductions in child labor are at least in part a result of changes in public opinion, which attaches an increasing stigma to child work out-*

side the home and/or increases the social value associated with attending school. Historians of childhood, beginning with the groundbreaking work of Philippe Aries in the 1960s, have documented a change in Western beliefs about childhood. In pre-modern days, childhood was not a separate period of life, and children were expected to work both inside and outside the home. Modern, Western concepts of childhood hold that childhood is a period that should be filled mostly with school and play, and many types of work are inappropriate or even morally wrong.²⁷ The clash between modern and traditional views of work as a natural activity for children results in some of the disagreements about how to define “child labor,” discussed above.²⁸

Beyond these general trends, economists, anthropologists and sociologists have explored in detail the family-level or supply side of child work. Two important insights have emerged to describe the relationship of child work to education. One is that excluding children from the formal sector does not preclude them from working, or more to the point, from working in hazardous or harmful conditions. Nor does excluding children from the formal sector automatically make them choose to go to school instead of to work. The second insight is that excluding children from formal sector work, or from work generally, can actually decrease their welfare if their only reasonable alternative is to work in a less well paid job or in worse conditions. That was the case in the Bangladesh example mentioned above.

Business Responses to Criticism in the 1990s

At the beginning of the 1980s, the governments of many developing nations denied that their economies contained child labor, and businesses followed suit. By the 1990s, the expanded definition of child labor discussed above was becoming more accepted, and governments began admitting that child labor existed in their economies. By the end of the century, the dominant question at the ILO was no longer how to get governments to admit that child labor existed, but how to implement programs to help children.

While the ILO has taken almost two decades to conclude how to handle the problem of child labor, firms face a more demanding time-frame and are more vulnerable to suffering short-term consequences from falsely or mistakenly denying that child labor exists in their operations or those of their suppliers. A range of private-sector programs dealing with child labor will be reviewed here, followed by a brief discussion about whether any of these efforts is more than a drop in the bucket of children’s needs.

Excluding the children from the formal sector does not preclude them from working, even in harmful conditions. Nor does excluding children from the formal sector automatically make them go to school instead of to work.

One note about the costs of implementing these programs: when these responses required an expenditure of company resources, management must have decided that the costs were outweighed by the potential benefit to the company’s image or ability to withstand criticism. Moreover, using children to keep labor costs down may not be the most efficient labor strategy in any case. “An American businessman recently told me that the production lines at the plants making his product require twice as many workers as those plants in the country from which he had moved, underscoring the aphorism that cheap labor is not necessarily inexpensive labor,” said a labor attaché from the US Embassy in Jakarta, Indonesia.²⁹

The responses of international business to child labor are of three basic, non-exclusive types:

Direct

Many companies adopted independent strategies to help children directly or in their communities. These included payments to programs to help children (hospitals, schools). Often, they involved adoption of a company code of conduct barring the use of children in the making of company products. Levi Straus & Co. claims to have started the codes-of-conduct trend, with its 1991 Global Sourcing and Operating Guidelines.³⁰ Although most do not specify codes of conduct only for the purpose of curbing child labor, almost all prohibit the employment of children in company operations or in the operations of suppliers.³¹

Many codes of conduct have been criticized for being hard for outsiders to monitor, and therefore, for amounting to little more than window-dressing. Relatively few companies have voluntarily gone beyond such a code to ensure that children removed from the workplace were placed in a school or into other training. The Swedish retailer Hennes & Mauritz, for example, works with local non-governmental organizations to ensure that any under-

age worker taken out of a South Indian factory making its products is put into school.³²

Labeling Programs

Some companies began using labels on their products to indicate that they were not made by children or were made by a company that supported children's programs. Carpet manufacturers in Pakistan, India and Nepal, and importers and retailers in Europe and North America adopted a series of labels after being criticized in the 1980s for making and selling carpets made by children, some of them bonded laborers. There are at least four labels on the market now, some of which are attached to rugs themselves, and others are displayed in retail stores:

- Many carpet importers in Germany (and a limited number in other countries) contribute money to a program called Care & Fair, that builds schools in communities where carpets are made. Care & Fair members may display a label in their premises but not on their products.
- Other carpet importers in Germany and North America, and manufacturers in South Asia, belong to "Rugmark," which puts a sticker on the backs of carpets made by purportedly child-free workshops. Many children removed from these workshops have been put into schools.
- STEP, a Switzerland-based program, promotes "voluntary responsibility" on the part of producers and importers. STEP maintains a list of producers and sellers of carpets that meet its voluntary guidelines. Retailers that purchase from these suppliers can display a STEP label in their stores.
- India's quasi-government Carpet Import Promotion Council puts the "Kaleen" label on India-made rugs. CIPC-labeled rugs purport to indicate that manufacturers follow a code of conduct that they claim will eventually eliminate child labor in the industry.³³

By contrast, labels developed by the Abrinq Foundation for Children's Rights in Brazil are awarded to companies after they both adopt codes of conduct and contribute money to help children's programs. Abrinq does not claim to guarantee that goods or services have not been provided by children. The labels are linked to national awareness campaigns that map out connections of everyone in society to child labor. Abrinq convinced the automobile industry to sign on, for instance, after finding examples of child labor in products of the auto manufacturers' suppliers' suppliers. Abrinq has developed industry-wide agreements in the orange juice, shoe manufacturing and sugar cane industries as well. Not all have been

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equally successful—in part because industries have not always been receptive to the idea that they should take responsibility for improving work conditions for workers on the bottom rungs of the procurement pyramid.³⁴

One more type of label is the "fair trade" family of labels. They indicate that the products have been produced by farmers with access to a private price-support system and a cooperative lending scheme through which they can borrow money at more affordable rates than are available from local banks or loan sharks. Although these programs were not designed specifically to reduce child labor, they can help farm families keep their incomes healthy enough so that they can afford to keep their children in school. "Fair trade" labels have been fixed to coffee in the U.S. and to tea, chocolate, coffee, bananas and orange juice in Europe.³⁵

One problem with labels is that they are easily counterfeited.³⁶ Another is that the labels rarely explain the entire scope of the program that stands behind them. And those programs are often not monitored by independent monitors who can verify their claims (although the standard of monitoring seems to be improving).³⁷

Industry-wide arrangements

Abrinq's work falls in this category. So does the program mentioned above that was adopted by the Bangladeshi garment manufacturers in response to criticism of children working in their factories. Under the agreement with the ILO and UNICEF, under-age workers were removed from their jobs, put into schools and paid stipends amounting to part of the money they had been earning in their jobs. Adults were to be recruited to fill the vacated jobs. The schools were supported with money contributed by the association of manufacturers of export garments and by the ILO. Similar plans to take under-age children out of work and put them into industry-supported schools was adopted in Sialkot, Pakistan by the makers of soccer balls and in Lahore, Pakistan by the makers of hand-knotted carpets. Similar programs are being considered in a variety of industries in sixteen other countries.³⁸

These programs have encountered some success but

also several problems in their implementation. For example, in Sialkot, families whose mothers and children left work suffered a twenty percent fall in income (*Economist*, 2000). Some social workers and non-governmental organizations think some aspects, such as income-replacement subsidies for children taken out of work and put into schools, may be too expensive to replicate on a large scale.³⁹ The program that was implemented in Bangladesh had to be adapted to Sialkot and Lahore and might have to be adapted elsewhere to allow for local conditions. For instance, both parents and children may benefit more from a part-time-work, part-time-school arrangement than from a plan that involves complete substitution of school for work.⁴⁰ In any case, programs will have to account for both the need for children to become educated and their

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need to survive. As one Bangladeshi boy put it, “I could go to school, but then who would feed my mother and sister? And who would pay for my sister to go to school?”⁴¹

Which brings the discussion to this: if the problem is so big, what will make the most difference to the most child laborers?

A Drop in the Bucket? Trade and Child Labor

Children working in exports are a tiny percentage, perhaps less than five percent, of the total 250 million child workers.⁴² They have received more attention in the press of Europe and North America than the bulk of child workers. And yet the focus on children in exports is significant.

Trade is and will be an important engine of growth in most developing countries. As discussed above, economic growth can help reduce child labor. As per capita GDP grows, child labor is expected to shrink—although, as discussed, the correlation between prosperity and reduced child labor is not entirely predictable at higher levels of per capita GDP. Children with jobs in the export sector may be working for higher salaries and in better conditions than their peers. Those child-workers who have been

pushed out (because consumers in developed countries do not want to buy goods made by children) have complained that they were cheated of the best jobs they could get—both in terms of working conditions and pay.⁴³ Shutting children out of the developing world’s export sector as a way of protecting them is justifiable only if they can go on to better working conditions for the same or comparable pay or if they can go to a school arranged so that it does not interfere with work they must do for survival.

Should social clauses be attached to trade treaties to keep child-made goods out of trade? Blanket trade sanctions can have disastrous unintended consequences, as demonstrated by the proposed Harkin Bill’s effect on children in Bangladesh’s garment industry. (“And who would pay for my sister to go to school?”) Trade sanctions rarely are twinned with measures to mitigate their effects on children, and it is hard to say whether such mitigation would work, given the reports of unsustainable expenses and unintended consequences of Bangladesh and Sialkot mitigation plans.

Even though the Harkin trade ban proposal eventually resulted in new schools for thousands of former under-age garment workers, the vast majority of children who had been working in the industry were fired or quit—and most likely went on to other jobs. Implementation of the Sialkot plan, which was designed with the Bangladesh lessons in mind, has produced its own unintended consequences. For instance, women who were recruited to replace girls as soccer ball stitchers in Sialkot were happy to have the work—but initially, in order to get the home work done during the daytime, they left their children in charge of housekeeping and other chores.⁴⁴ Although the plan was later altered to allow some women to work near home, the initial effect surely was not what the organization supporting a trade ban on goods made by children wanted to see as an outcome of the program.

Trade bans also could be a disguise for protectionism. They already are perceived as such by developing countries. As Yussef Boutros-Ghali, the Egyptian trade minister, complained after the WTO ministerial talks in Seattle fell apart in December 1999, “Why, all of a sudden, when third world labor has proved to be competitive, do industrial countries start feeling concerned about our workers?”⁴⁵

Still, as argued in the introduction, if in the process of expanding trade children are—or are popularly seen as being—victims of the process, the legitimacy of trade expansion will be undermined. Similarly, if children are seen to be the victims of other development policies, those policies will be undermined.

The effects of the Asian currency crisis of 1997 on

children were mixed, even though the picture that came through the news media was almost all negative.⁴⁶ That negative picture prevailed and continues to sour people on the financial liberalizations associated with globalization. "The real problem...is the model of development that we have adopted," said one social worker in assessing the fall-out from the crisis, noting that poor children suffered the most and the longest. "A lopsided model that is based on consumerism and greed rather than sustainability and need."⁴⁷ This complaint echoes older complaints about the price that children pay for repayment of the loans extended by multilateral development agencies to developing countries. This price takes the form of cuts in social services associated with structural adjustment policies and international debt service. At a recent meeting of the Asian Development Bank, for instance, protestors complained that "ADB projects are exacerbating poverty, destroying the environment, and undermining the rights, livelihoods, food security of the local communities throughout this region."⁴⁸

The problem may lie as much with national governance as with the economic system against which these protests are directed. That is not to deny the importance of pledges of more resources directed specifically at fighting poverty by multi-lateral institutions such as the World Bank and the Asian Development Bank. However, as one Indian activist put it, "The problem is not resources, it is political will."⁴⁹ Yet, if business' actions on child labor are not seen as being part of the solution, they will be easily depicted as part of the problem.

Conclusion – Business Has a Role in Reducing Harmful Child Labor

This paper has discussed three dimensions of the relationship between international business and child labor and has identified the distinction between acceptable child work and exploitative child labor. It has also presented the basic economics of child labor and strategies that companies have adopted to deal with complaints about their employment of children. It has pointed out several ways in which, despite the small percentage of child workers in trade, business should be concerned about the reports of child labor in the export economy. Additionally, it has discussed strategies that a few firms and industries have used to reduce the presence of child labor in their operations and those of their suppliers. Some of these had direct benefits for former child workers.

Businesses that want to continue to benefit from more open trading systems and more liberal financial markets would do well to take complaints about child labor in traded goods as a shot across the bow—along with the many

other metaphorical shots fired by demonstrators who have protested against the World Bank, International Monetary Fund and other multi-lateral finance agencies. Efforts to liberalize trade and finance are being undermined by a perception that a disproportionate percentage of globalization's "losers" are poor children.⁵⁰ Certainly it is important to determine whether globalization has increased child work or has simply provided children with different, and possibly better, jobs.

Any firm that confronts the issue of child labor must decide whether adopting one of the responses outlined above—or any other—will cost more than ignoring the issue.

Ending child labor will require action on many levels: economic growth; laws and law enforcement; social mobilization; and building schools and making them affordable, accessible and appropriate.⁵¹ The best programs will need to be made relevant to the specific conditions of a place, and of the children to be helped. "We know of no case where a nation developed a modern manufacturing sector without first going through a 'sweatshop' phase,"⁵² according to David L. Lindauer. "If child labor is a necessary evil of industrialization, then a nation should be judged on how quickly it passes through this phase." But history need not predict the future. It should be possible to employ workers at competitive wages without also exploiting the youngest and weakest workers—and without robbing them of a chance to gain an education.

Business has a potential role to play in reducing harmful child labor, including its potential eradication. That role is larger than it has played so far. Moreover, pressures for businesses to do more to end child labor will not go away. They seem much more likely to increase.⁵³ ■

ENDNOTES

¹ILO, 1996, p. 5.

²William E. Myers, "Considering Child Labor: Changing Terms, Issues and Actors at the International Level," *Childhood*, Vol. 6, Issue No. 1, February 1999, pp. 13-27.

³ILO, 1996, pp. 5, 8, 12, 14.

⁴International Program on the Elimination of Child Labor (IPEC), ILO, (www.ilo.org/public/english/standards/ipec/index.htm). Also see, S.L. Bachman, 1995. Many other examples of products produced by child labor are cited in U.S. Dept. of Labor, 1994.

⁵Khemporn Viroonraphant, "The Situation of Child Labour in the New Millennium: Increasing Numbers of Working Children in the Informal Sector and With Greater Complexity," *Child Workers in Asia*, Vol. 16, No. 1, January 2000, (www.cwa.tnet.co.th/vol16-1/Khemporn.htm), and Victor Karunan, address on child labor and macroeconomics presented to the Save the Children Federation Workshop on Child Labor in South Asia, May 19-12, 2000, Katmandu, Nepal.

⁶European Social Dialogue in Commerce, Uni Commerce Child Labour Pages "Initiatives by European Commerce to Combat Child Labour: Final Report to EuroCommerce and Euro-FIET," June 1999

(www.union-network.org/UNISite/sectors/commerce/uni%20commerce%20website/Child%20labour/Social_dialogue_child_labour_report_English.htm).

⁷Co-Op America, Report from the Field #2, Foul Ball Campaign, (www.coopamerica.org/sweatshops/ssreport2.htm).

⁸S.L. Bachman, "Feel good coffee helps farmers, birds, soil," *The Oregonian*, Nov. 2, 1999. S. L. Bachman, "Conscience in a cup," *San Jose Mercury News*, August 25, 1999.

⁹Rodrigues dos Santos, 1996, and Fundacao Abrinq "From 1995 On: Strategic Focus" (www.fundabrinq.org.br/telas/publicacoes/partii5.htm).

¹⁰David Foster and Farrell Kramer, "America's Secret Child Labor Force," *The Associated Press*, December 14, 1997 (available via www.igc.org). "To put the estimates in context, the number of children working illegally is close to 4 percent of the 4.1 million children aged 12 to 17 who work in America during any given week," Douglas Kramer, "AP Finds Thousands of Child Laborers," *The Associated Press*, December 14, 1997 (available via www.igc.org).

¹¹Article 7.4, Convention 138, ILO, 1973. Article 3.1 also recommends barring children 18 and under from work that is likely to damage their "health, safety or morals." For a list of countries that have ratified the convention, consult, www.ilolex.ilo.ch:1567/scripts/ratifce.pl?C138.

¹²Convention 182 had been ratified by fifteen countries as of May 18, 2000, www.ilolex.ilo.ch:1567/scripts/ratifce.pl?C182.

¹³The convention also establishes other "rights" for children, such as children's "right" to be consulted on laws and programs that will affect them, which have been influential in international discussions on child labor. For a text of the convention, see www.unicef.org/crc/fulltext.htm.

¹⁴"Lectric Law Library's Reference Guide to the Fair Labor Standards Act, www.lectrlaw.com/files/emp39.

¹⁵See discussion in Chapters 1 and 2 in Boyden et al, 1998.

¹⁶S.L. Bachman, 1995. Shahidul Alam, "Thank you, Mr. Harkin, Sir!" *The New Internationalist* 292, July 1997, (www.oneworld.org/ni/issue292/thank).

¹⁷Jonathan Silver, "Child Labor in Pakistan," *The Atlantic Monthly*, February, 1996

(www.theatlantic.com/atlantic/issues/96feb/pakistan/pakistan). Also, interviews at Domotex carpet exposition in January 1999, in Hanover, Germany.

¹⁸Interviews conducted in 1995 and 1997 for the *San Jose Mercury News* series published in July 1995 and July 1997, available on www.mercurycenter.com/archives/child_labor. Also, see Nichols, 1993.

¹⁹Reddy, 1999.

²⁰I am indebted to William Sundstrom, Santa Clara University, for this discussion.

²¹Fallon and Tzannatos, 1998, p. 3.

²²Fallon and Tzannatos, 1998, p. 3. Also, ILO, 1996, p. 14 (Internet version).

²³ILO, 1996, p. 5 (Internet version).

²⁴Carol Bellamy, *The State of the World's Children*, 1997, summary, www.unicef.org/sowc97/report/. And ILO, 1996, p. 8 (Internet version).

²⁵Christiaan Grootaert and Harry Anthony Patrinos, *The Policy Analysis of Child Labor: A Comparative Study*. New York: St Martin's Press, 1999, pp. 154-155.

²⁶Boyden, et al, Chapter 6.

²⁷Judith K. Ennew, ed., *Learning or Labouring? A Compilation of Key Texts on Child Work and Basic Education*. Florence: Unicef, 1995, pp. 5-8.

²⁸Two other important insights resulting from these studies are that

children do more work than society commonly acknowledges and that the family decisions involved in sending a child to work are more complex. Such decisions involve not only questions of survival but also—among other elements—bargaining among family members who hold different levels of power and influence within the family structure. For elaboration of the first point, see Olga Nieuwenhuys, *Children's Lifeworlds: Gender, Welfare, and Labour in the Developing World*. London: Routledge, 1994. For elaboration on the second point, see Basu, 1999.

²⁹Greg Talcott interview, p. 22, in Nichols, 1993.

³⁰For a review of the difficulties Levi Straus has faced in implementing its code, see Schoenberger, 2000.

³¹See discussion of codes of conduct in Varley, 1998.

³²Interview of Ingrid Schullstrom of Hennes & Mauritz, April 2000.

³³U.S. Depart. of Labor, 1998, p. 8-10. Also, Varley, 1998.

³⁴Rodrigues dos Santos, 1996.

³⁵www.transfair-us.org.

³⁶For a discussion of the problems involved with these and other labeling initiatives, see Janet Hilowitz Labelling *Child Labour Products: A Preliminary Study*. Geneva: ILO, 1997. (www.ilo.org/public/english/standards/ipecc/publ/index).

³⁷One new monitoring regime, more popular in Europe than in the United States, is the SA (Social Accountability) 8000 system developed by the Council on Economic Priorities Accreditation Agency (www.cpttm.org.mo/quality/Info/sa_8000_e.htm).

³⁸Interview, Rijk van Haarlem, Chief Technical Adviser, Subregional Projects in the Coffee Industry and Commercial Agriculture, ILO/IPEC, May 17, 2000.

³⁹Interviews with William E. Myers, 1999-2000. Presentation by Anisur Rahman Sinha, President, Bangladesh Garment Manufacturers and Exporters Association, at "Advancing the Global Campaign Against Child Labor: Progress Made and Future Action" conference sponsored by U.S. Dept. of Labor and ILO/IPEC, Washington DC, May 17, 2000.

⁴⁰Interviews with William E. Myers, 1999 and 2000; and Basu, 1999.

⁴¹Bachman, 1995.

⁴²U.S. Depart. of Labor, 1994.

⁴³Emily Delap, "Children's Role as Contributors in Urban Bangladesh: A Challenge Global Ideals of Childhood," paper presented at Children, Work and Education, IREWOC conference, Amsterdam, Nov. 15-17, 1999, p. 3.

⁴⁴Later, "stitching centers" comprising three women stitchers were allowed in private homes. Interview, Dr. Aameena Hasan, Project Manager, Save the Children, Pakistan Field Office, Project Office Sialkot, May 9, 2000.

⁴⁵David E. Sanger, "All the World's a Mall," *New York Times Book Review*, April 30, 2000, p. 13.

⁴⁶Ben White, "Asia's Working Children and the Economic Crisis," address to Child Workers in Asia Conference, www.cwa.tnet.co.th/booklet/benpaper.

⁴⁷Reddy, 1999.

⁴⁸Agence France Presse, "Massive ADB Protests Planned; NGO's Unhappy with Development Bank's Privatization Policies," *Taiwan News*, May 4, 2000, p. 15A.

⁴⁹Nalini Shekar, Asia programs coordinator, International Development Exchange, May 1, 2000.

⁵⁰Two helpful discussions of the ethics of the distributive effects of recent global macroeconomic trends can be found in Epstein, 1999, and Eichengreen, 1999.

⁵¹ILO, "IPEC Action Against Child Labour: Achievements, Lessons Learned and Indications for the Future, 1998-99", Geneva: ILO, 1999

(www.ilo.org/public/english/standards/ipecc/index.htm).

⁵²David L. Lindauer, in Nichols, 1993, p. 20.

⁵³Alan Cowell, "A Call to Put Social Issues on Corporate Agenda," *New York Times*, April 6, 2000, p. C4. Also, consult updates on global labor standards produced by the Investor Responsibility Research Center (www.irrc.org), which say investors have asked for five years in a row about conditions that include child labor in publicly traded companies.

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