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Child labour and supply chain: profitability or (mis)management

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Abstract

Purpose – The purpose of this paper is to provide a realistic assessment, with an historical perspective, of the current practices and progress made by organisations towards elimination of child labour in global supply chains.

Design/methodology/approach – Literature review in the area of use of child labour within the global supply chain was combined with additional information obtained from the company searches of the GRI database, company ranking tables, and other sources.

Findings – Child labour is one of a number of areas of concern in global supply chains. Continued exploitation of child labour indicates an imbalanced state and consequently forces can be unleashed through standardization, collaboration and communication amongst all stakeholders to ensure protection of the vulnerable. This paper is part of the broader analysis informing incremental changes to supply chain management to preserve the rights and welfare of children in the present and future generations.

Research/limitations/implications – The analysis is based on secondary data sources and further research is thus needed to verify the individual weightings of the criteria used in the primary ranking of the companies.

Practical implications – The findings provide encouragement for policy and decision makers to implement incremental changes to global supply chains in order to protect the rights and welfare of children, according to the standards of Social Accountability (SA) 8000, the International Labour Organisation (ILO), and other world trade stakeholders.

Originality/value – This paper questions the view that child labour incidences have diminished proportional to economic development. A swinging fulcrum with hidden traps for developed and developing nations in light of cross border transactions through supply chains has been proposed.
Profitability and (quick response) as part of supply chain management

There are numerous definitions and interpretations of supply chain management (SCM), all of them reflecting on the integration of processes from one end of the supply chain to the other. Cooper et al. (1997, p. 2) define SCM as “the integration of key business processes from end-user through original suppliers that provide products, service, and information that add value for customer” and other stakeholders.

Organisations in the majority of profit-seeking industries are looking for ways to become more efficient and reduce their cost-per unit of the final manufactured product or service provided. This is due to factors such as, changing customer demand, increased competitiveness from globalisation, blurred geographical borders due to technology and regulatory changes. Outsourcing, Just-in-Time, and subcontracting are some of the methods being steadily adopted by organisations as part of their supply chain to respond to the business environmental changes and reduce their operating costs and subsequently have a profitable bottom-line. These changes, however, have created additional social, political, cultural, and environmental risks. Faisal et al. (2003) outline the context of these risks in SCM and ways to confront them through increased agility, trust, collaboration, information security, social responsibility, and alignment of corporate with individual and supply chain interests. This emphasis on risk management is a double-edged sword, for instance, the risk of falling profitability can be mitigated by using child labour, but on the other hand the risk of customer boycott in some markets can be reduced by avoiding child labour. Situational variables can operate counter to broader strategic directives.

Sohal et al. (2002) observe that integrated SCM is best implemented within a strategic framework. Following this, it is conceivable that a strategic imperative to avoid using child labour, for example, could be successful if built in from the top. This is not without challenges especially for large organisations with supply chains reaching to the far corners of the globe. From the authors' observations and personal experiences the hidden socio-cultural and political-legal requirements, guidelines and enforcements, respectively, sometimes happen to work against, rather than in alignment with, the continued instances of child labour, even in the most advanced multinational organisations. Just as profitability can be boosted by continuous improvement, so could other strategic measures be prioritized, such as social responsibility and the rates of child labour exploitation. The question remains, “Why aren't they?” And the answer lies in the complexity of global operations. This analysis is part of the search for pragmatic solutions to emerge from this complexity.

Child labour and corporate priorities

What percentage is a “good” and “acceptable” profit for organisations? We also need to question which is more significant, the percentage of the profit or, “how” the percentage was achieved. Multinational organisations are increasingly going beyond geographical borders and establishing their manufacturing and/or assembly operations in developing countries such as China, India, Philippines, Malaysia, Indonesia, Myanmar, Bangladesh, and Thailand. It has been argued that this has brought economic benefits to participating partners – for example, shareholders primarily in home country and employees in host
(developing) countries. Husan (1996) describes the example of the Polish motor industry and how lower labour costs proved to be insufficient on their own to improve productivity. This wave of globalisation and cross-border trade needs critique, starting with the identification and management of cultural diversity issues to ensure that one group is not exploited at the cost of other. These challenges become complicated when countries at different stages of economic development (Aaronson, 2007) involved in the transaction of goods and services display diverse socio-political and legal requirements. Managers of multinationals operating across borders face the complications of identifying and abiding by home, local and, in many instances, international rules and regulations. Examples include working and safety conditions, wage parity between genders (Raworth, 2004) and between employees in the same designation across countries, minimum numbers of local employees, and age of employees, and local rules regarding slavery and child labour (Colebatch, 2007). It is the latter issue that is addressed in this paper.

Depending on the source, different statistics can be found for the number of child labourers, for example, according to ILO (2005) and BSR (2003) in 2000 there were 246 million child labourers between the ages of 5-17 years; whereas 218 million have been cited by UNICEF (2007) who were working in various jobs across a number of industrial sectors in both developed and developing countries. ILO (2008) has raised concerns about the quality of statistical data about child labour and proposed that more research is warranted. Whatever the final number, any child working as a labourer is alarming in itself and calls for prompt, nonetheless, realistic, and practical responses from all involved in the SCM process: manufactures, retailers, governments, and consumers to name the least. Initiatives such as having public and detailed “codes of conduct” (Kolk and van Tulder, 2002a) and audit of supplier factories are being undertaken by organisations to reduce the incidents of use and exploitation of children as labourers with varying success. Businesses have realised that using child labourers as a cost cutting measure in the short-term can lead to negative long-term repercussions in the form of publicity, brand reputation, and in some instances even criminal prosecution or lawsuits (BSR, 2003). Consider the long-term impact of ignoring education in favour of short-term productivity gains. If education standards decline, employees become stuck in low-income jobs and cannot break the cycle of poverty. There is increased potential for corruption and vulnerability to issues of bribery due to lowered flexibility within the labour market.

Commercial organisations often apply the utilitarian principle (being the greatest good for the greatest number in the organisation) in the supply chain as part of their goal-oriented or consequential ethics (Frankena, 1973; Newton, 2003). This determines that the final result (ends) of a transaction justifies the means taken by individuals and organisations to achieve those goals (Piest, 1957). Dilemmas emerge in the child labour debate because commercial organisations have a fundamental profit motive and this is observed to lead to decisions and actions that make the greatest profit for all those involved in the short-term (if profitable, employees, and suppliers get paid; shareholders are happy) at the expense of happiness for individual children. Consequently, is using child labour an acceptable practice to ensure continued profitability? This tension in social responsibility has long, historical roots and some of it has been reflected in the next section.
Traditional views of social responsibility in the child labour debate

“Please, sir,” replied Oliver, “I want some more.” The master aimed a blow at Oliver’s head with the ladle; pinioned him in his arm; and shrieked aloud for the beadle. The board were sitting in solemn conclave, when Mr Bumble rushed into the room in great excitement, and addressing the gentleman in the high chair, said, “Mr Limbkins, I beg your pardon, sir! Oliver Twist has asked for more!” There was a general start. Horror was depicted on every countenance (Dickens, 1838).

Care and concern for children is a question of responsibility and tests our individual and collective sensibilities. The wide field of corporate social responsibility (CSR) can be traversed by the critical questions, “What is the responsibility of organisations as part of supply chain when trying to achieve profit – profit first or social responsibility actions? And how should we justify each of the choices made?” How one answers these questions tends to classify one’s values along the continuum of care for self (as in profit, individuality and self-preservation) versus care for others (as in socialist concern, and welfare). Figure 1 displays this shifting fulcrum.

Studies in economics, for instance, have aligned the incidence of child labour exploitation to the earlier stages of economic development (Hazan and Berdugo, 2002). Research has suggested that attitudes toward exploitation of children are subject to fluctuations in well developed and under developed economies (ILO, 2007). Marshall (2005), for instance, has questioned the continual economic advancement in view of environmental (internal and external) constraints faced by a country and organisations. There is a danger in believing that economic development equals no exploitation of workers, including children. The swinging fulcrum metaphor is a more practical tool for ensuring that even the most diligent and advanced countries and companies do not fall into the trap of exploitation of vulnerable children. The increasing cross-border nature of business operations also highlights the importance of being alert to the risks. A global business, regardless of the location of its head office, can find itself with local staff and managers who reflect a full variety of attitudes towards exploitation of children.

Taking the step back to the history, whilst the early economist, Adam Smith, is often aligned with a market-oriented view and the suggestion that the profit motive and care for self may outweigh other kinds of values in trade, it is interesting that significant strains of social responsibility emerge in his writings. Sutherland (as editor of Smith, 1993, p. xx) remarks on Smith’s use of the term, “natural”, when discussing principles of trade and commerce. Sutherland concludes that some kind of “moral approbation” is implied in Smith’s work. In essence, the natural world is one where freedom is not rampant. Letting a market be free is not necessarily a call to ignore laws and regulations, deceive customers or competitors for instance in relation to the pursuit of profit, and certainly not in relation to the protection of our young.

Bales (2004, p. 32) describes slavery and child labour as a type of “disease”. It is not sufficient to view survival of the fittest as an excuse for treading upon the lives of children. Disease and weakness is not tolerated even in natural systems. Disease may emerge but it is by no means the natural state and the impetus is always for growth, support and triumph.
over conditions of debilitation. There are opposing forces that need to be considered, scientific principles that need to be factored. In the centuries following Smith’s seminal writings, consider the developments in market regulation of labour, competition, intellectual property, work safety, anti-discrimination, and the like. Groth and Roberts (2001, p. 297) discuss the contemporary need for legal systems to “nurture, protect and support” its citizens whether it be individuals or organisations. While change has been slow and motivated by more than Smith’s views alone, one cannot discount the seeds of social responsibility sprouting in what is otherwise seen as economic rationalist beginnings in the early years of the Western industrial revolution. Even Dickens’ writings about Oliver Twist were made in this climate and accompanied social concerns of the time regarding child neglect and exploitation.

Robert Owen was a successful industrialist, renowned as a critic and reformer, around the same time that Dickens was writing, who put the rights of children back on the agenda during the industrial revolution. It was Owen (1813) who observed:

It is not to be supposed that children so young could remain, with the intervals of meals only, from six in the morning until seven in the evening, in constant employment, on their feet, within cotton mills, and afterwards acquire much proficiency in education.

And so the debate about work and children and the role of the labour force in industrially developing economies continued. As the discipline of SCM grew, so factors such as better management of the labour force, including child labour concerns became increasingly important (Winstanley et al., 2002).

Milton Friedman’s work in the twentieth century promoted the general view that business should be primarily profit driven (Friedman, 1982) and leave the concern of welfare to governments, which ought to be reduced in size and influence. This, at the time, stood counter to the prevailing Keynesian model post-great depression (Wray, 2007), where government was growing its influence in the economy. As Freidman’s (1982) ideas took hold in developed nations, capitalism grew and the balance of the continuum swung again back to profit, individuality, and self-preservation. The opposite swing of the pendulum is occurring once more as the current century evolves and questions are again being asked, such as, “What about long-term sustainability and survivability with increasing pressure of CSR aspects and doing good for all the stakeholders?” Witness the surge of mergers and acquisitions that have occurred in recent decades and the emergence of virtual organisations that blur the boundaries of normal legal structures (Kling, 2006; Hulbert, 2006; Mowshowitz, 2002). Economists such as Veblen (1958) effectively forecast these kinds of [anti-competitive] business “coalitions” as a natural result of increasing efficiencies of industrial production. This is an extension of the Keynesian suggestion that spending decisions of suppliers rather than consumers are the more critical points in the supply chain and have larger effects in an economic system (Wray, 2007). In the labour market today, supply chain decisions by large global organisations are establishing the destinies of millions of disempowered people, including child labourers.

One of the influential researchers whose work has contributed to the swinging fulcrum is Peter Drucker. For instance, Drucker’s call for non-profit organisations to adopt more
professional management practices represents a fascinating juncture in the continuum (Drucker, 1989). At a time when, in the full spirit of Friedman (Stein, 2007), Reaganomics and Thatcherism were enamouring the world with economic rationalism, the freedom of markets, and the downsizing of government (May, 1993; Letwin, 1993), Drucker (1991, p. 16) observed that:

[...] non-profits [including delegated authorities] are forging new bonds of community [...] citizenship [...] social responsibility [...] and values.

From the authors' perspectives one could even suggest issues of equity and diversity and child welfare as underlying themes of Drucker's, as if to portend the next wave of growing interest in CSR.

It is relevant to note Jacobs' (2000) recent reiteration of Adam Smith's early belief in nature as a model for economic success. Human beings and their structures of organisation and business exist within nature. For Jacobs (2000), a natural order exists and is governed by balancing principles which cannot be ignored. To operate out of balance is equivalent to being in a state of disease. The natural order includes the imperative for our children to grow and develop rather than stagnate under exploitative conditions. As the impetus for sustainable business models gathers momentum, there is much in Jacobs' and Smith's work that can be revisited by business and political leaders.

The politically powerful nations at this time broadly reflect care for self values in the tradition of Friedman. Hofstede (1985) might have predicted which countries would flourish at a time when individualism is widely acceptable. However, collectivism is not dead and countries that have embraced a more cooperative approach have emerged to be economic powers in the world (Koch and Koch, 2007). Supply chain dynamics, in fact, respond strongly to cooperation and collaboration, therefore, trading partners internal and external to a supply chain naturally work more profitably when competition is managed as opposed to engaged head on (Trunick, 2006). It should be reiterated here that by cooperation the authors do not mean collusion or similar practices, but rather working together as partners to achieve their respective targets and profits and create win-win instead of win-lose scenarios. This understanding is well founded in communication and negotiation theory. Habermas (1999, p. 42) for instance, explains how dialogue between parties is the only way that universal acceptance of norms (or standardization) can occur. Individual reasoning and self-reflection, while useful for some purposes, are not sufficient, especially where discourse and ethics of cooperation are to be maintained. Gilbert and Rasche (2007) focus this Habermasian view on the ethics of Social Accountability 8000 (SA8000) in particular. If they are right, and discourse ethics is a useful way to conceptualise CSR, then there are some quite pragmatic communication and collaboration principles available for a clearer understanding of how to implement these standards in the current global economic climate. Collaboration requires social concern and care for others, including our next generation of children.
Can child labour be avoided and eradicated?

Of all exploited workers, children are the most vulnerable, physically, mentally and emotionally. Where the work environment lacks support, empowerment and basic safety standards, children are often the first to be damaged. At the macro-level, adult labourers in the right conditions are mostly independent and regenerative and give off their energy. Exploitation is a given but is normally managed with more autonomy by adults, especially where the local regulations are fair and equitable. All work is a type of exploitation, but pay, conditions and other rewards are the mechanisms for negotiating a sense of equity. However, children are less formed, more finite, and less able to negotiate about their work and rewards. They need to take in energy to grow and develop and, therefore, require a greater degree of protection from the dangers of labour exploitation.

The lure of profit in the global market can sometimes serve to outweigh care for children on the part of managers. When popping a chocolate or candy from a recognised brand; or using cocoa butter, consumers often overlook that these chocolates are manufactured by cocoa picked by more than 15,000 children (as part of forced labour) in West Africa (Aaronson, 2007). In an effort to eradicate this practice in 2001, representatives of the industries, governments, NGOs, and unions created a “multi sectorial partnership, the Cocoa Protocol” (Aaronson, 2007; see also Knight Rider Tribune, 2001). Unfortunately, it was found that, even after five years, the trends had not changed and socio-political unrest was cited as a reason by the companies. Law suits had been filed by the International Labour Rights Fund against multinational companies such as Nestle, ADM and Cargill (Aaronson, 2007).

The use of child labour is not restricted to the food sector. Its tentacles extend to other sectors, such as the manufacture of soccer balls in Pakistan (Gorgemans, 2005). Children are also being used in Africa to reduce costs and increase profitability by the tobacco industry, which argues employment of adult workers would add approximately US$10 million per year to total production costs (Otanez et al., 2006). The tobacco industry has responded by adopting codes of conduct (Otanez et al., 2006). These examples are in addition to the well publicised problem of sweat shops in the apparel industry (NRF, 2003); or the employment of child labour by supermarkets such as Sainsbury in the UK, where the company pleaded guilty (CSR, 2003), or even in other sectors including agricultural, mines, metal work; and dock work (Good Practice Note, 2002) to name a few.

The World Federation of the Sporting Goods Industry (WFSGI), an independent association was formed in 1978, with representatives from “sports industry suppliers [and] national manufacturers' association” (Gorgemans, 2005). WFSGI has been playing a strategic role to:

[...] address [...] issues of ethical business practices and to establish a venue for the [sports] industry to understand, analyse, and act upon a wide range of issues of corporate social responsibility (Gorgemans, 2005; see also van Tulder and Kolk, 2001 for further examples of codes in the sports goods industry).

Within the apparel sector a number of initiatives have been introduced to combat the phenomenon of sweat-shops and child labour (Nielsen, 2005) such as the Fair Labour Association, The Worldwide Responsible Apparel Production (WRAP) program, SA8000, and
the Workers Rights Consortium (NRF, 2003; Dhanarajan, 2004). The latter program is an outlier as it has not been initiated by the industry, rather by University students, administrators and labour rights experts (WRC, 2007) and, consequently, is not enthusiastically accepted by the companies.

The Indian silk industry relies on bonded child labour and would not survive without their use (Small Change, 2003). Similar stories can be heard in India's textile industry (Sri Raman, 2007) and even some crematoriums (Venkatesan, 2008). In an attempt to pay their parents or other family members loans, children “as young as five years old work 12 or more hours a day, six and a half or seven days a week” (Coursen-Neff, 2003). These children are passed from one trader to another without the original debt of their parents ever being repaid and are punished if they do not perform as expected. This is evident in the following quote from a nine-year-old boy in bonded labour (Coursen-Neff, 2003):

At work the supervisor used to beat me with a belt. He tied me up and beat me with a belt on my back. He did this two or three times [...] he tied a chain that was attached to the wall to my leg [...] [The owner beat me] if I didn't do my work properly.

Responses to address allegations of child labour exploitation range from development of regulations, guidelines, and codes of ethics. In addition, the manner in which the information regarding child labour is communicated by the organisation is centrally controlled by their public relations department. The Indian government has taken some of these steps recently (Bhattacharya, 2007), nonetheless the details are difficult to obtain. The Government officially denies active child bonded labour in India (Coursen-Neff, 2003). However, the reality is that, even with India’s exploding economy, the child labourers represent a cheap and attractive alternative for Indian subcontractors, who are employed by a number of multinational organisations (Bhattacharya, 2007) to manufacture their products.

**Should children work?**

The answer to the question of when a child should join the workforce is dependent upon cultural and situational factors. The International Labour Organisation (ILO) defines child labour as:

[...] work by children under the age of 12; work by children under the age of 15 that prevents school attendance; and work by children under the age of 18 that is hazardous to the physical or mental health of the child (BSR, 2003).

This definition sits at the zenith of a debate about childhood itself in the Western industrialized world. The socially constructed nature of childhood must be considered. There is a tension between being dependent and powerless versus being competent as a social being in childhood (Corsaro, 2005; Giroux, 2000). The fact remains that, even in post-industrial nations, there is a relatively short period in which children have been afforded a number of years in which to be children and to engage in play and education, as opposed to working as part of the adult human community (Wyness, 2006).
The recent challenges to “work-life” balance extend pressures to the “child-adult” balance, especially as information technology improves accessibility of the workplace for children (Postman, 1982). Consider home-based businesses and the lack of definition around what constitutes work and family life at home. Children can so easily find themselves engaged in work activities in an environment unmonitored by normal workplace authorities. This is also the situation in underdeveloped nations where the accessibility of work and the opportunities of global supply chains for improving income converge, where a large potential labour force of able-bodied children beckons, and where the social construction of childhood is often different to that underpinning the ILO definition of childhood.

The fulcrum of care and concern for children shifts from country to country. In most post-industrial nations for instance, it is accepted that children earn pocket money by doing chores around the house and outside (examples include, tending the garbage bin, emptying the dishwasher; delivering newspapers, weeding the lawn). This is done on the basis of teaching the value of money and work ethics and training the children to be more proficient in their later years as adults. In the absence of cruelty and abuse of power, this may be a reasonable practice. Giroux (2000) observes the trend in American education for making schooling a vocational imperative, a preparatory place to prime children for full participation in work and income earning. Undoubtedly, this trend is evident in all economically robust developed countries where global industry demands a supply of new employees who can contribute to the bottom line. Schools that now focus on preparing children for work increasingly consider work experience, real or simulated, to be a “better” education. This contrasts with earlier conceptions of school as preparatory for becoming a good citizen, which implies broader skill sets than merely being prepared to work in a particular industry (Dewey, 1933).

Now consider a developing country with living standards below that of other developed ones. Families and communities aspire to a better standard of living, therefore, the availability of able-bodied family members, of any age, represents a resource that can be used to participate in the enterprises, local and global, operating in the vicinity. It is easy to imagine the convergence of vocational education ideals and workplaces where children are employed to learn how to run the operation. The logical conclusion of the philosophy prevailing in American education (Giroux, 2000) is workplaces filled with children, but this vision is obviated only by definitions of childhood, such as that of the ILO, as well as established labour regulations, and standards like SA8000, that prohibit young children from becoming an exploitable resource. However, many countries do not have such regulations and, combined with the imperative to grow strong economically and participate in opportunities of supply chain globalization, plus the local cultural acceptance of children as “adult-like” community members, there is little to prevent the filling of workplaces with children in these countries.

The contours of the playing field

In the light of variances in expectations and practices in relation to social responsibility (and child labour in particular) in SCM around the globe, it is useful to identify how some prominent multinationals have responded to the challenge. The authors reviewed a number of strategies to accomplish this objective and settled on identifying organisations that had
publicly declared their intentions via triple bottom line elements (social, environmental, and economic performance) on the Global Reporting Initiative (GRI, 2007) web site. Rather than looking only at organisations listed on the GRI database, the authors decided to look at the top 50 companies by revenue with the justification that, being profitable, these organisations will (or should) have spare resources (dollars, human, and time) to address the stigma of potentially being accused of using child labour.

There are a number of databases and organisations that annually rank multinational organisations on various attributes such as “best employer”, “ethical organisation”, “admired organisation” and most commonly on “revenue”. As one of the reputable databases “Fortune” was selected and, as a first step, the top 50 organisations in 2006 by revenue were documented (see right hand side of Table I) (Fortune Global, 2006). Next, the top 50 most admired companies (with revenue of more than $8 billion) globally in 2006 as voted by 8,645 executives and directors of 351 companies were identified. The full list represents 30 different industrial sectors (Fortune, 2006) (see left hand side of Table I). A comparison of the two sides of the table was undertaken and it was found that 29 out of the 50 most admired organisations and 30 out of the 50 organisations ranked by revenue had reported on the GRI web site.

Almost one-third (30 per cent) of the most admired companies also made it onto the highest revenue list, but that means that 70 per cent did not. The criteria that Fortune used for measuring levels of “admiration” were, globalness, innovation, employee talent, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment, and quality of products/services. One of the limitations of using a secondary data source in this paper was that the authors could not identify and hence provide the individual weightings of the various criteria used in the ranking.

The cross-reference of the Fortune top 50 companies with the GRI database revealed ten matched companies (that included two subsidiaries in the Samsung group). All of the ten companies had posted their social responsibility/environmental reports on the GRI database; however, only nine of them made reference to child labour. General Electric (GE) was the company that mentioned child labour five times as compared to eight other counterparts whose average was once in their reports. GE’s 2007 citizenship report and its web site mention a number of times that it prohibits use of child labour in any form within its own company and its partners (which covers its suppliers too). Nevertheless, Coop America (2006) asserts that, in the same year GE was topping the most admired and highest revenue lists, shareholders remained unhappy about the limited reporting on child labour and other issues in the supply chain.

The Exxon Mobil 2006 corporate citizenship report included three pages in its various forms dedicated to detailing company’s commitment to not using child labour in any of its operations globally and aiming for its abolition. One could argue that this commitment was made by the company following allegations made by the Amnesty International that said, Exxon Mobil, in concert with government and Chevron Petronas, had avoided its human rights obligations in relation to the Chad-Cameroon oil pipeline in 2005 (Business-Humanrights.org, 2007).
Three hundred stakeholders, in a letter to British Petroleum's (BP) CEO in 2005, claimed that the BP Tangguh natural gas project in West Papua, Indonesia, was failing to meet its human rights commitments (Business-Humanrights.org, 2007). In its 2006 sustainability report the company made a half-line reference to child labour with indications this would be covered as part of project guidelines under the “social requirements for new projects” (p. 24).

Table II focused on the companies that made it on both sides of Table I (being admired and profitable) rankings. The last column of the Table II indicated whether or not reference to “child labour” was made and, if yes, how many times and in what context. It is interesting to note from Table II the year of publication of the reports that varied from 2002 to a more recent 2007 publication. A number of the leading organisations had not updated their postings on the GRI Website. Could one thus draw the interpretation that these companies are no longer interested in sharing the information? Also, not all companies referred to their suppliers and/or contractors when addressing child labour issues.

The complexity of the operating environment is evident in the fact that the same companies that rate so well on social responsibility continue to get caught in different ways in the global variances in labour market situations. For example, Baue (2007) reminds us that the pig iron that is produced in the Toyota supply chain is done so with a slave labour component. Business-Humanrights.org (2007) reported a number of other examples including:

- That a Students and Scholars Against Corporate Misbehaviour report alleged widespread labour abuses in 2007 among Chinese suppliers of electronics brands including Samsung.
- A South China Morning Post article in 2005 mentioned that major banks, including HSBC, are top shareholders in a wig manufacturing company that used forced prison labour.

The majority of the above-mentioned cases are of the companies that are arguably the cream of socially responsible global citizens. Reputable companies can hence find themselves caught in the dilemma of a diverse and global labour pool tainted by elements of child labour exploitation. Most of the companies in Table II have implemented a number of community projects supporting childhood education and overall well being. If organisations as diligent as these are being tripped up by the variances in labour market customs around the world, the challenges for all other companies are clear. For organisations with lesser profits and disposable resources the challenge is whether they can properly manage child labour. If they use their scarce resources to do the right thing, they may be left behind their competitors.

When addressing reviewers' feedback in early 2008, the authors came across the updated “most admired” list of companies. However, the names of only the top 20 companies were available at the time. Of the top 20 in 2007 ranking, there were seven companies that had previously been not mentioned in the top 50 in 2006 rankings. These companies included Starbucks (ranked 2), South West Airlines (ranked 5) Google (ranked 8), Goldman Sachs (ranked 11), 3M (ranked 14), Nordstrom (ranked 15), and American Express (ranked 17). Of these seven companies, only three were listed on the GRI database (Starbucks, 3M, and
American Express). It is clear that such measures of success can be a moving feast. The reality is that different companies exhibit different balances of “most admired” characteristics in the perceptions of observers on a monthly and yearly basis. Nonetheless, the rankings in any given time demonstrate interesting facets in comparisons with other rankings, such as those in the GRI (2007).

The pervasiveness of child labour practices in certain cultures needs to be considered in conjunction with any reports that incidences of child labour may be diminishing due to economic development. The systems of measuring and reporting child labour can sometimes be questioned. Roberts et al. (2006) report on the Chinese experience of many major multinationals and question the seemingly intensive regime of audits, inspections and subsequent reporting. In the light of China’s emergence as an economic superpower and the reliance of global manufacturing on the Chinese labour pool, it is timely to remember the hidden traps, even for our corporate elite. Roberts et al. (2006) expose widespread falsification of timesheets and payroll in factories supplying corporations, including Wal-Mart and Target. In addition they find that “coaching of workers and midlevel managers to mislead auditors is widespread”. This is consistent with the experience of Nokia (Balmès, 2004) when they audited their supplier factory in China.

Further striking statistics on child labour are supplied by Global March Against Child Labour (2005). Most telling are the facts relating to countries traditionally seen as having the most developed economies. It is clear that we cannot rely upon some kind of trickle down effect from economic advancement to eliminate child labour problems. There are instances of child labour being used in agriculture and manufacturing in Australia, the USA, UK and Canada. The two fastest growing economies in the World, China and India, are noted to be rife with child labour issues. There are numerous other countries in Africa and Asia with well entrenched child labour exploitation. There are some countries where recording and reporting is showing no significant child labour in legal industries, and yet there are quite strong illegal prostitution and child trafficking operations underway. This prompts the question of whether there are underlying values and attitudes toward children that encourage exploitation in these industries. It is clear that multinational companies operating in some industries in a variety of developed as well as developing economies run a significant risk of being caught up in the child labour problem (Batstone, 2007). This appears to happen despite the best intentions and even some quite diligent actions by the companies. It is further evidence that child labour minimisation is not just a function of economic advancement. Cultural values and attitudes of not only the organisational decision makers, but also, customers, shareholders and community and of course, the government, have to change if we really wish to eradicate the incidents of child labour.

**Balancing the supply chain system**

There are a number of voluntary standards and thus alternatives existing for organisations engaged in supply chain activities to adopt and demonstrate publicly and transparently their commitment to various “causes” or social and environmental challenges such as those outlined on the Triple Innova web site (2004a, 2004b); the BSR (2003); Global Compact (2004); IOE (2007, 2005) or in the “Good Practice Note” (2002). Many of these initiatives have some declaration of not using “child labour” as in instances of Business Social
Compliance Initiative (BSCI, 2004); International Council of Toy Industries (ICTI, 2006); Electronics industry (EICC, 2005), and Sedex (2007). Of course, we cannot forget about NGOs such as Child Labour Coalition (2007) tireless efforts to diminish this problem. However, a closer look reveals that the definitions of child labour used by these initiatives has slightly different interpretations than those outlined by ILO, for example International Council of Toy Industries operating conditions cites that “a minimum age of 14 applies in all circumstances”; or the “any person employed under the age of 15 (or 14 where the country of law permit it” as highlighted in the electronics industry code of conduct. The authors raise the question why have these initiatives used a different interpretation – is it because they view certain (financial) benefits from using labour above the specified age in their code? Or is adopting these initiatives a smokescreen to abide further scrutiny by the media, government, consumers and other stakeholders?

In this sea of voluntary guidelines and standards with their disparate interpretations what we really need is one set of guidelines with variations to suit the unique requirements of each sector. For example, insurance versus a construction or packaging company has different levels of risk or harm involved for their employees. From our perspective, one blanket standard would not be successful; we have to make some variations to suit each sector needs, for instance, by publishing industry supplements. There is a vast amount of information available on various organisational sites, however, efficiency calls for merging of resources to avoid duplication of information and, more importantly, for managers to have “one-port-of-call” to save their time and resources in collecting information from different sources. Undoubtedly, merging of information and sites may result in loss of ownership and feeling of power impotence, nevertheless we do need to keep in mind the end of the exercise – to ensure that organisations are aware of various challenges being faced by them and, as far as practicable, proactively addressing these challenges. The organisations should be reporting on their results in a transparent manner without any fear of being penalised for attempting to “do the right thing” however not receiving the “expected” results instantaneously.

Organisations need to realistically understand the drivers behind the potential use of child labour and the solutions to address the problem. WFSGi (2005) for instance recognised that banning the children from the factories (as part of soccer ball production in Pakistan) was only a short-term solution as these children were then likely to be employed in “more dangerous and exploitative work such as prostitution or brick making” (WFSGi, 2005). The organisation subsequently committed resources to establish and implement a “social protection program to provide educational opportunities for children phased out of employment, along with social and financial support for their families” (WFSGi, 2005). These initiatives were paid for through the establishment and signing of the “Atlanta Agreement” to Eliminate Child Labour in the Soccer Ball Industry in 1997. “Thirty-one companies representing more than 80 per cent of export production, and 55 international brands” (WFSGI, 2005) signed the agreement. Gorgemans (2005) explains the success of the Atlanta Agreement in this case with, at the time of his writing, More than 6,000 children were removed from production lines and enrolled in education. Indeed, education seems a positive outcome for the children in this case; however, it is important to note organisations and authorities need to be careful before simply relocating child workers without considering implications of potentially driving them into more hazardous jobs.
We need to look at the bigger picture and recognise the impact of our actions at the global, not local levels as our actions and subsequent reactions are interdependent (Cohen-Rosenthal, 2000). From the authors perspectives, all the stakeholders need to collaborate and work together to solve the problem of child labour. At the same time, we need to recognise that this is not an issue that can be solved overnight ... we need to set targets that are realistic, practical, measurable and moreover achievable. This means identifying the industry-specific barriers and nominating time frames that are urgent for the sake of the children, but manageable for the parties involved. Kolk and van Tulder (2002b) for instance discuss how companies within the garment sector are steadily addressing this problem by outlining and more importantly enforcing their code of conduct/ethics relating to child labour. Only when social (and employment) issue of child labour is subsequently eradicated can we really label the world truly globalized and equal whilst companies and their shareholders enjoying profits without any guilt. To counter the problem of child labour a combination of reactive and proactive measures at the government and company policy levels is required. Having a voluntary (or even mandatory) law is of no avail if it is not implemented and enforced by the decision makers. Citing cost cutting, lack of financial resources, or competitive pressures to satisfy the shareholders is no longer (and should not be) acceptable by the wider stakeholders.

**Conclusion and future directions**

The fulcrum in Figure 1 reflects Adam Smith’s view that nature expresses mechanisms and balancing forces that represent a model upon which business might be founded. The natural hierarchies and exchange mechanisms that supply the demand inherent in natural systems are instructional for organisations operating with complex supply chains. Global supply chains that persist with the exploitation of slave and child labour are effectively diseased and natural forces can and should be unleashed through standardization, collaboration and communication that work to ensure healing and protection for parts of the system vulnerable to such disease.

Now that human trading activity is large, global and energy intensive, a sharper understanding of natural principles of energy balance in the daily give and take of transactions is becoming necessary. The vision of Smith’s Wealth of Nations depends on a marketplace in balance with the social and natural sustainability of the human community, whose endeavours are part of the natural landscape. Regardless to say, much work needs to be done in this area at academic, practitioner and government levels. We need to publicly expose the organisations and governments alike who are more interested in making a short-term or even immediate profit. Future research also needs to document and share the real life stories of children and even parents who are forced to send their children to work. Caution, however, should be taken as this is a fragile, sensitive issue and hence only experienced (not to mention objective and unbiased) individuals and organisations should be talking to the victims of child labour.

We end this paper with a number of questions that will encourage the reader in their role as an organisational or non-governmental representative, a government member and decision-maker to come up with realistic, sustainable solutions to once and for all eradicate the problem of child labour in this globalised, digitalised, and boundary-less century. As
globalization increases, we can legitimately question the responsibility of the multinationals. Do they trust the suppliers and subcontractors to do the right thing, or do they only use suppliers that have certified themselves, such as with SA8000? Do the representatives of these suppliers need to physically visit the shop floor and talk to the employees whilst ensuring that they have not been coached and coerced to provide certain responses? There are opportunities to see first-hand the accommodation and living conditions of the employees, such as Nokia did in China when auditing its components supplier's factory as part of its accounting for listing on the Dow Jones Sustainability Index (Balmès, 2004). If multinationals do implement such initiatives, what about the resources that they would require to create improvements based on the audits, for example, would the company shareholders and executives continue to be happy with a lower percentage of profits in the short-term? And to what extent can or should a company interfere in local customs and regulations pertaining to the labour pool? Is it only the responsibility of the multinationals to address the problem of child labour? What about the role of government and other funding organisations (such as the World Bank and United Nations)? Do we as individual citizens (of either the developed or developing countries) have any role to play and take responsibility of our actions, and resolve not to buy products that are made by children? Would we be willing to make these sacrifices and maybe pay a higher, premium price for goods made by adults instead?

Figure 1 The fulcrum of CSR
<table>
<thead>
<tr>
<th>Rank</th>
<th>Top 50 most admired companies</th>
<th>Listed on GRI database</th>
<th>Top 50 companies (by revenue)</th>
<th>Listed on GRI database</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General Electric</td>
<td>Yes</td>
<td>Wal-Mart Stores</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
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<td>Yes</td>
<td>Exxon Mobil</td>
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</tr>
<tr>
<td>3</td>
<td>Procter &amp; Gamble</td>
<td>Yes</td>
<td>Royal Dutch Shell</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>FedEx</td>
<td>Yes</td>
<td>BP</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>Johnson &amp; Johnson</td>
<td>Yes</td>
<td>General Motors</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>Microsoft</td>
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<td>Toyota Motor</td>
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</tr>
<tr>
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<td>Dell</td>
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<td>Chevron</td>
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<tr>
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<td>Berkshire Hathaway</td>
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<td>DaimlerChrysler</td>
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<td>9</td>
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<td>ConocoPhillips</td>
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<td>ING Group</td>
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<td>PepsiCo</td>
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<td>Volkswagen</td>
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<td>Credit Agricole</td>
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<td>Citigroup</td>
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<td>BP</td>
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<td>Siemens</td>
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</table>

Note: *Indicates a tie in rank

| Table I. | Fortune corporate rankings 2006 |
Table II: Reference to child labour from reports as posted on GRI website

References


ILO (2007), *Child Labour Wages and Productivity: Results from Demand-side Surveys*, International Labour Organisation, Geneva,

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**Further Reading**


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