

Best Response: Auditors' Insights on Child Labor in Asia

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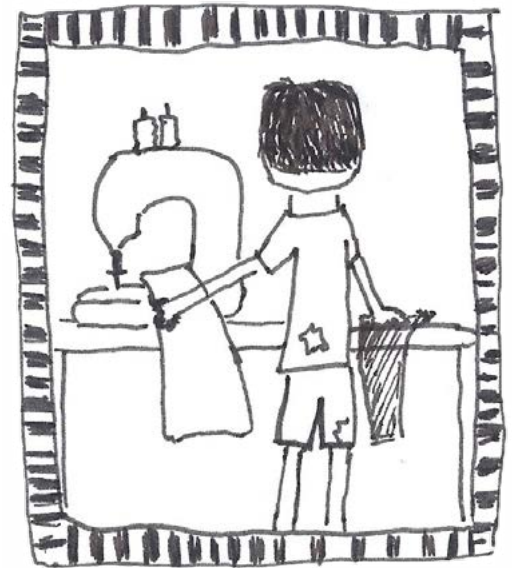
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EXECUTIVE SUMMARY

This report analyzes the findings from an auditor survey with 557 auditors from nine countries in Asia together with the qualitative results from interviews with 40 selected auditors who participated in the survey.

The report draws a picture of the child labor situation in Asia seen through the eyes of auditors. It aims to identify the gaps and challenges in preventing and responding to child labor with actual experiences and stories from the first respondents – auditors. We will also try to distinguish characteristics of different countries with examples from China, India, Bangladesh and Vietnam, where most respondents come from.

In summary, the report answers the following questions related to child labor:



- How do the identified cases usually occur? What are the common causes/violations?
- What is the usual profile of the identified cases?
- What is the usual procedure/action taken during the first few hours?
- What aspects are most likely to go wrong?
- What are the challenges in ensuring a child's safety and the solutions commonly adopted?
- What are the challenges to securing factory/family cooperation?
- To what extent are financial guarantees (from brand/supplier) necessary to take immediate action?
- What support and resources would be needed from the brand/third-party to enable a more effective and immediate remediation process?
- What context/third-party factors outside of factory/brand control need to be taken into further consideration?

1 | INTRODUCTION

Survey Context

Many companies have an escalation procedure to address child labor. However, there are no guidelines in place to ensure the immediate best interest of the child and to prevent the child from 'disappearing' before the remediation processes kick in. CCR CSR's experience in the field shows that there is no systematic compilation of auditors' knowledge and experience that goes beyond collecting auditing data.

A knowledge product that captures the collective experience of a wide network of auditors will help brands and associates have a clearer picture of the child labor situation in the region, identify the gaps and challenges in preventing and responding to child

labor from the experiences of the first respondents (auditors), and improve the systems in place to address child labor.

In early 2016, CCR CSR conducted an online survey with a large number of auditors from Asia. Close to 30 professional bodies and international companies with supply chains in Asia supported the process by distributing the survey to their affiliated auditors (please refer to appendix 4 for the list of contributors). By mid February 2016, CCR CSR collected 557 valid responses from auditors from more than nine countries in the region, mostly from China, India, Bangladesh and Vietnam. Many of these auditors expressed their willingness to be interviewed by CCR CSR and to talk more about their experiences with child labor.

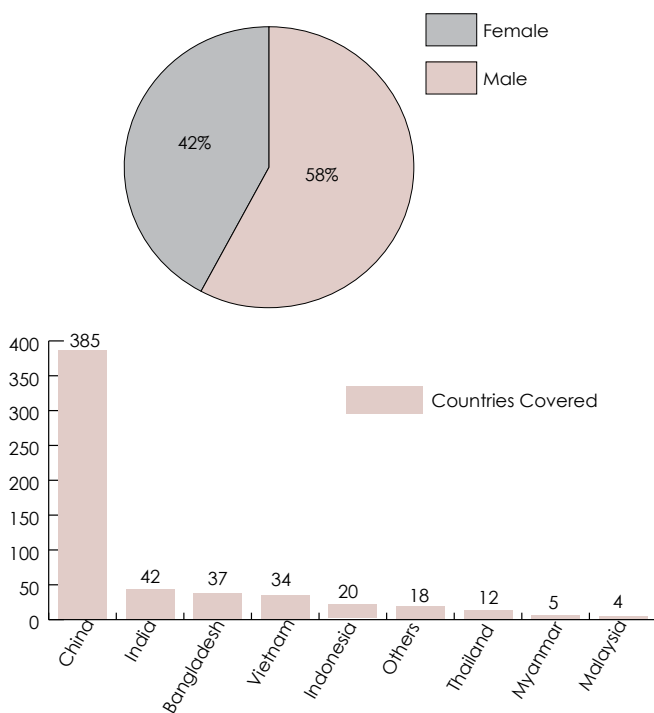


1 INTRODUCTION

Survey Design and Sample

The survey consisted of 46 questions, mostly multiple-choice, in order to capture quantitative data about the auditors' experiences. We received a total of 557 valid responses. 58% of surveyed auditors were male and the other 42% were female (Figure 1). The vast majority of responses came from China, India, Bangladesh and Vietnam. For the purposes of this report, only those four countries will be separately mentioned in the country-by-country comparison, given that their sample sizes are above 30.

Figure 1: Auditors' gender and country¹

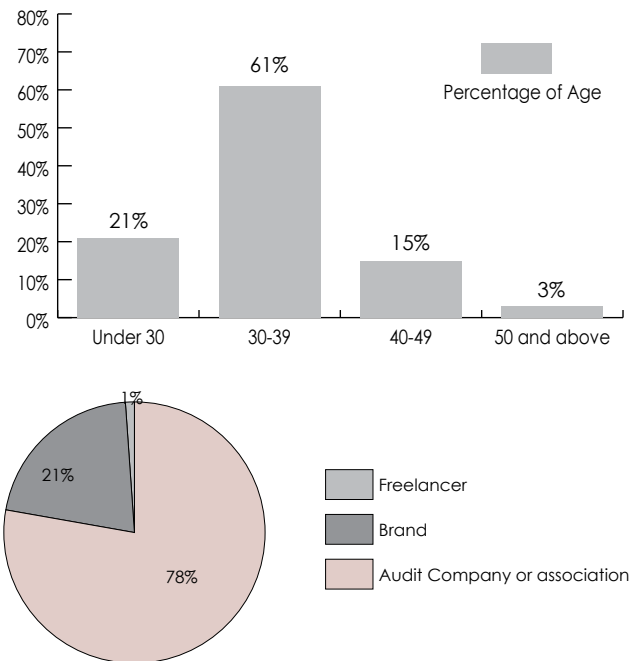


82% of the auditors are younger than 40 years old and the large majority (61%) are in their 30s (Figure 2). In terms of auditing experience, the time ranges from less than a year to 30, with seven years being the average.

Almost four out of five auditors are currently employed by an audit company or an association. The rest work as brand

auditors, with only a few exceptions such as freelancers (Figure 2). Almost all auditors are currently auditing for brands, while nearly half are also auditing for associations and professional bodies. It is also worth noting that the data reflects the views of auditors in the manufacturing sector that covers such industries as textiles, garments, shoes, electronics, toys, furniture and more. Very few (less than 1%) auditors who participated in the survey have audited in agricultural sector.

Figure 2: Auditor's age and employer



In addition to the survey, over 200 auditors left their contact information to accept interviews by CCR CSR. In the months following the survey, CCR CSR conducted short interview sessions (phone interviews) with 30 auditors from China, and 10 in-depth (hour long) interviews with auditors from China and other countries. The interviews complemented the survey results by obtaining more detailed information on the complexity of the challenges and the possible solutions.

1. "Country" does not necessarily refer to the auditors' nationality or residence but refers to the country the auditors are most familiar with in terms of auditing and the country they feel most knowledgeable about in terms of child labor.

2 | CHILD LABOR RISKS

Key Findings

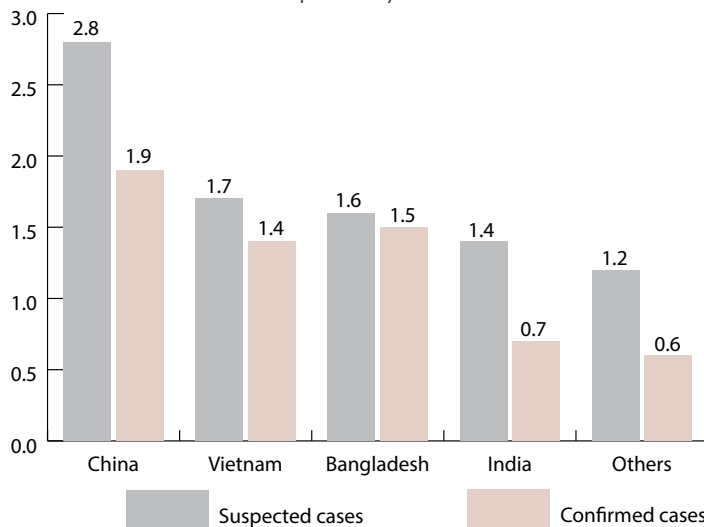
- 64% of all auditors and 71% from China encountered suspected child labor cases in the past 2 years
- 82% of all those (85% in China) reported confirmed cases

According to ILO, the Asia and the Pacific region experienced a remarkable decline in child labor in recent years. However, it still has the largest number of working children – almost 78 million or 9.3% of the child population by 2012². Although most child labor incidents are found in the agricultural and service sectors, with only 7% in industry³, the result of the auditor survey confirms that child labor risks still exist in the first tier supply chains of international brands, and probably to a greater extent than what some may have expected. It may come as a surprise that the auditors from China encountered more child labor on average than their counterparts in the region. In the past two years, an auditor from China confirmed close to two child labor cases on average. It is fair to mention that the difference in child labor cases in

various countries may or may not reflect the actual situation in the manufacturing sector because the difference could be caused by the variance in sample sizes (China accounts for up to 70% of the total sample), the auditors' employers and the brands and sectors they were auditing for in the past two years. Furthermore, a point of consideration is that China has the highest minimum legal working age (16 years old) out of all of the countries covered in this report. When we look at the age groups of discovered child labor cases, we can see that more than 4 out of 5 cases (82%) in China are 15 and above, while this number is less (73%) for other countries. Note that in other countries 15 is not considered child labor by law but some companies have set the minimum working age in their supply chains higher than the legal minimum age. That being said, the results do indicate that it might still be too early to assume that child labor is no longer a risk factor in China's manufacturing industry.

Figure 3:

No. of child cases auditors discovered in the past 2 years



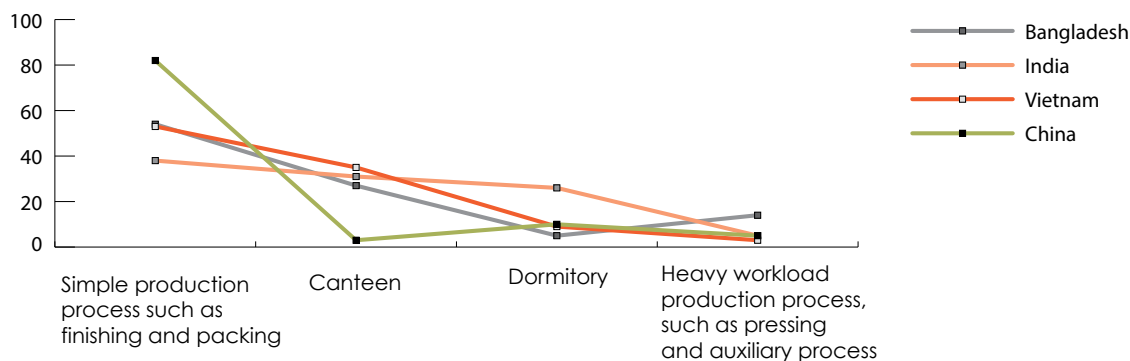
2. <http://www.ilo.org/global/topics/child-labour/lang-en/index.htm>
 3. "Global child labor trends 2008 to 2012", ILO, 2013

2 | CHILD LABOR RISKS

Key Findings

There is a slight divergence between China and other countries when comparing the locations with the highest likelihood of discovering child labor, with fewer cases discovered in canteens in China than in other countries. However, what they all have in common is that factories with simple production processes such as finishing and packaging have the highest likelihood of employing child laborers, while heavy ones usually have the lowest likelihood (Figure 4).

Figure 4:



3 | CHILD LABOR IDENTIFICATION

Key Findings

There are no major differences in the typical procedures used to identify child labor in different countries. While the vast majority of the auditors identify child labor by interviewing the child, less than half of the auditors (even fewer in China) interview other workers about suspected child labor cases.

Since interviewing the child is the number one means of verifying their age, the auditors' interviewing/communications skills might naturally play an important role in the successful identification of child labor. Such an internal factor might explain why we saw clear disparities when looking at the number of child labor cases between auditors of different gender, experience and, in some cases, training. We will explore

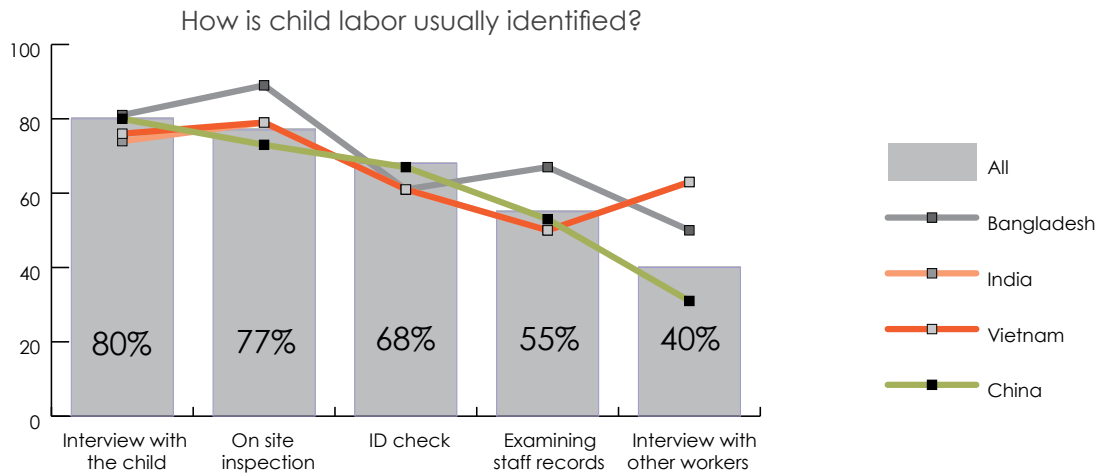
these differences in depth in the "Difference Between Auditors" section below.

An experienced auditor from Vietnam who preferred to stay anonymous stresses the importance of being able to adapt one's communication style to the child's age. She thinks it is a must-have skill for an auditor. "Children shouldn't be asked direct questions [about their age] as this may scare them off". She is also one of the few auditors who interviews other workers to determine whether or not this was an isolated case (for full story, please refer to appendix 3).

3 CHILD LABOR IDENTIFICATION

Key Findings

Figure 5:



- 30% of the suspected child labor cases encountered in the past 2 years were not corroborated

In general, absence of identification documents to verify the age is the main reason for failing to corroborate suspected child labor cases (Figure 6). When the factories do not keep copies of the age verification documents in their personnel files, the situation can get complicated, even for an experienced auditor. Although auditors most likely ascertain the real ages of suspected child laborers through nuanced interviews, it may not always work.

More than half of the auditors identify child labor by examining staff records. In some cases, if the factory hides the records of the suspected child laborer and refuses to provide further information, auditors fail to corroborate the case. It is interesting to see how lack of factory cooperation is a much bigger reason for such failure in China than in other countries.

“It is also difficult for us to get the real age of the child from child himself/herself, as most children don't know their date of birth exactly.”- An auditor from India

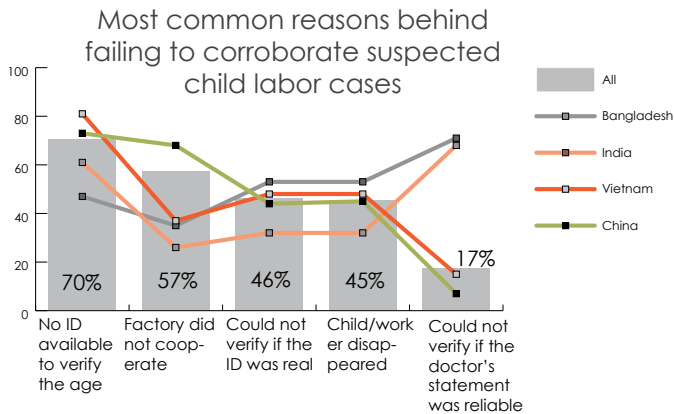
It is possible that this is caused by brands having little leverage/business impact (i.e. small percentage of factory order) over factories in China. In fact, when we look at common challenges in securing factory cooperation in child labor remediation in section 5, we will see that lack of business impact on factories is a much more prominent reason in China than in other countries (Figure 18 on page 18). From both a compliance and capacity building perspective, this suggests that brands with overlapping supply chains might need to form stronger collaborations in order to be able to hold factories more accountable for child labor prevention and remediation.

3

CHILD LABOR IDENTIFICATION

Differences Between Auditors: Gender and Experience

Figure 6:



Auditor Factors

While the diverse incidences of child labor that auditors encountered in different countries may mostly be explained by their geographic location, we did also look at the differences between auditors themselves to see if internal factors might explain the divergence.

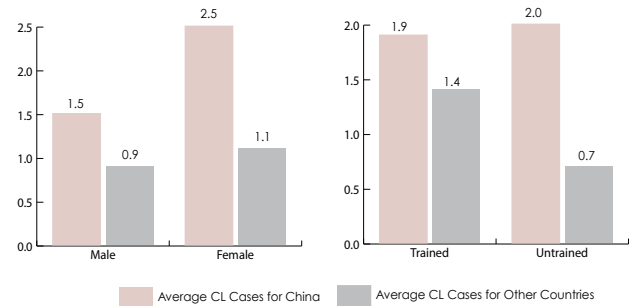
Auditors' Gender

- Female auditors in China discovered significantly more child labor than the males

We discovered that in general, auditors' gender is associated with the number of child labor cases they discovered in the past two years. Figure 7 shows that female auditors generally discovered more child labor cases even when controlling for age and experience. When we looked at this difference by country though, we found that this result is only significant for China. We don't have enough information to determine what might be the reasons behind such a disparity, but it is certainly an interesting phenomenon to look further

into. When we asked some auditors for the possible differences in audit style between male and female auditors, some said female auditors are typically more "detail oriented" and "spend more time on each audits than their male counterparts". Current data, however, is not sufficient to prove such an assumption.

Figure 7:



Auditors' Experience

- Years of experience in auditing is positively correlated with the number of child labor cases auditors discovered in the past two years

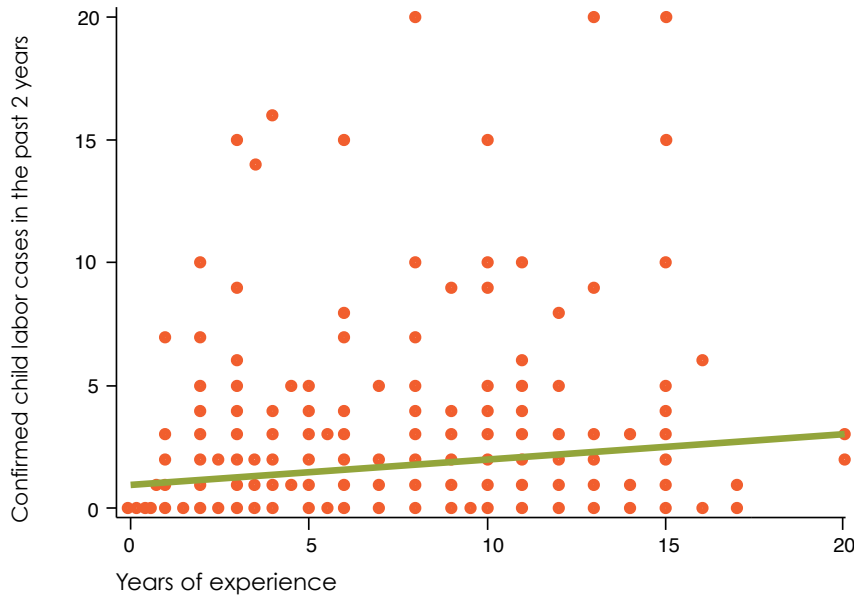
When controlling for age, the auditors' work experience had a significant positive correlation with the number of child labor cases they discovered in the past two years (Figure 8). The more experienced the auditors are, the more likely they are to discover child labor. When we hold the years of experience constant, auditors' age did not seem to be associated with the number of child labor cases they discovered.

3

CHILD LABOR IDENTIFICATION

Differences Between Auditors: Auditors' Training

Figure 8:



Auditors' Training

- 55% from China and 42% from other countries attended child labor training

In the aggregate, significantly more male auditors received child labor training compared to females (55% vs. 45%). However, when we compared China to other countries, we found that only in China did male auditors receive significantly more child labor training than their female counterparts (61% vs. 47%).

It is interesting to note that for all countries except China, there was a significant positive correlation between the number of child labor cases auditors discovered and whether they received child labor training. The strong association between the number of child labor cases and the auditors' training in other countries makes us reflect upon the role of child labor

training on the increased discovery of child labor incidents. If such connection were true, would it also imply that the kind of training auditors received in China was not effective in helping auditors identify child labor? Or would it mean that internal factors, such as knowledge and awareness, play little role in the number of discovered child labor cases in China? Given that, how would we explain the role of gender and experience, which were significantly associated with the number of child labor cases? While the available data cannot fully answer these questions, the significant difference between China and other countries in terms of who provided the child labor training to these auditors might have interesting implications. As indicated in Figure 9, three quarters of

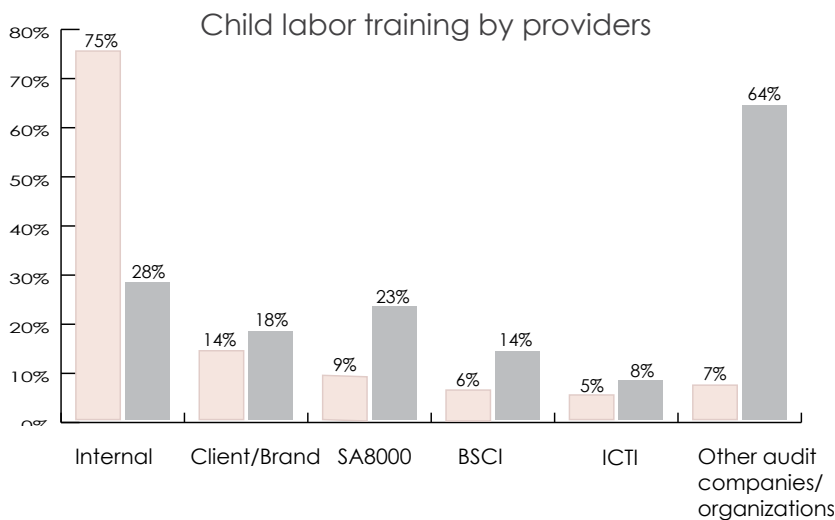
3

CHILD LABOR IDENTIFICATION

Auditors' Training and Stance Towards Child Labor

auditors in China received their child labor training internally, as compared to less than a third in other countries. This huge difference is reversed if we look at the numbers of auditors who received training from audit companies or other third-party associations. Overwhelmingly more auditors from other countries than China received training from third-party associations. While the data does not allow a final conclusion, it could be an indicator that targeted child labor training offered by a third-party might be more effective than most internal training.

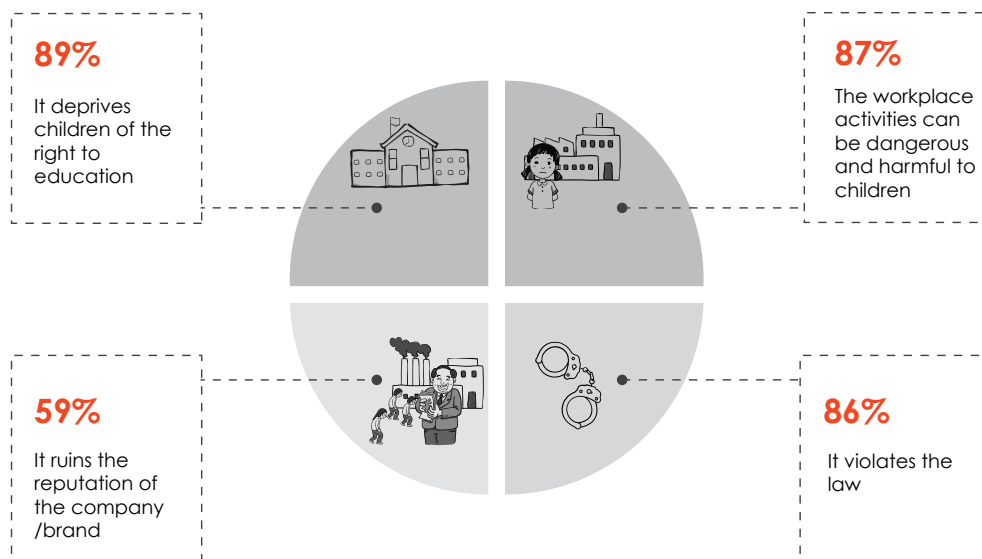
Figure 9:



• **95% of auditors believe that child labor is an issue of zero tolerance in the audit instrument/system where they conduct audits**

Figure 10:

Why should child labor be prohibited?



3

CHILD LABOR IDENTIFICATION

Auditors' Stance Towards Child Labor

Under the assumption that the auditors' awareness on child labor could be associated with their effective identification and/or handling of child labor cases, we looked at why they think child labor should be prohibited. It is interesting to see that the top two reasons for preventing child labor are from a child rights perspective: "it deprives children of the right to education" and "the workplace activities can be dangerous and harmful to children". Combining these two options with "it pushed children and their family to a downward spiral of poverty", we created a new variable called "child rights awareness", and found that it had a significant correlation with the number of child labor cases auditors encountered and confirmed. Based on the available data, we obviously cannot establish a causal relationship that the auditors with higher

37% auditors think child labor should be prohibited because it is against their principles

child rights awareness are more prone to discovering child labor cases or vice versa. However, this is still an interesting connection and worth considering in future trainings for auditors.

Significantly more auditors from China than other countries (42% vs. 25%) regarded child labor as being against their principles and, thus, should be prohibited. However, we haven't found a strong enough

84% auditors from China believe a worker under the age 16 (but over 15) is not acceptable under any circumstances

association between their personal position on child labor and the number of child labor cases they discovered. If it were against their principles, only the auditors outside of China tended to discover more suspected child labor cases. However, this result was not the same for confirmed cases. The minimum legal working age in China is 16. Even though the vast majority of auditors have zero tolerance for child labor even when the child is older than 15, they have conflicted feelings about the impact on children if they are merely removed from work.

“
“If the child laborer is from poor family and the family is desperately in need of his/her income, suggestions of removing the child from factory and sending them home will only worsen their family's economic situation and drive the child to less regulated factories with worse working conditions”- An auditor from China.

It is not surprising that this is the view held by many auditors we interviewed in China. We tried to understand the ethical dilemma the auditors face by asking them if they believe their discovery of child labor might have a positive or negative impact on the children's lives. Out of the 30 auditors we interviewed, only seven or 23% believed their work would bring positive impact on the child's life. 13% stated quite pessimistically that their discovery of child labor would mostly affect children in a negative way, and 64% thought it could be both positive and negative depending on the situation.

4

BOTTLENECKS IN CHILD LABOR PREVENTION

Reasons for Children to Work at a Factory

- 59% of auditors think the top reason for a child to work at a factory is poverty

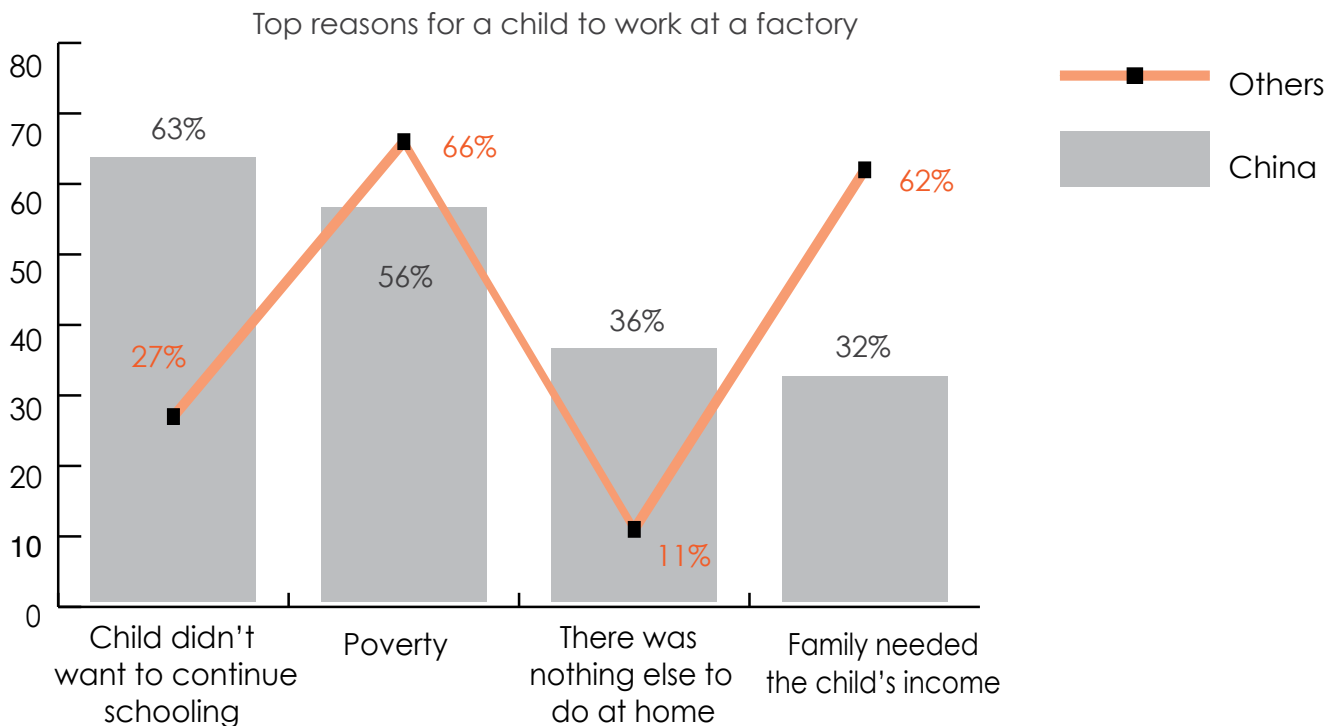
We are aware that preventing child labor is an extremely complicated and difficult task for all parties involved, even though we expect most prevention work to take place at the factory level. Understanding the diverse root causes of child labor in different countries/communities will help us develop more targeted initiatives to address the issue. Therefore, we tried to look at the reasons for a child to work at a factory from auditors' point of view.

As shown in Figure 11, auditor's views on the top reasons for a child to work at a factory differ significantly between China and other countries in the region. The majority of auditors in China believe children end up working at the factories because they are unwilling to continue high school after the 9-year compulsory education. Auditors in other countries, however, think that poverty and the family's dependence on the child's income are the dominant reasons for child labor.

“

“Some child laborers were only a few months short of 16 and have completed compulsory education. They decided not to further pursue education and preferred to work.”- An auditor from China.

Figure 11:



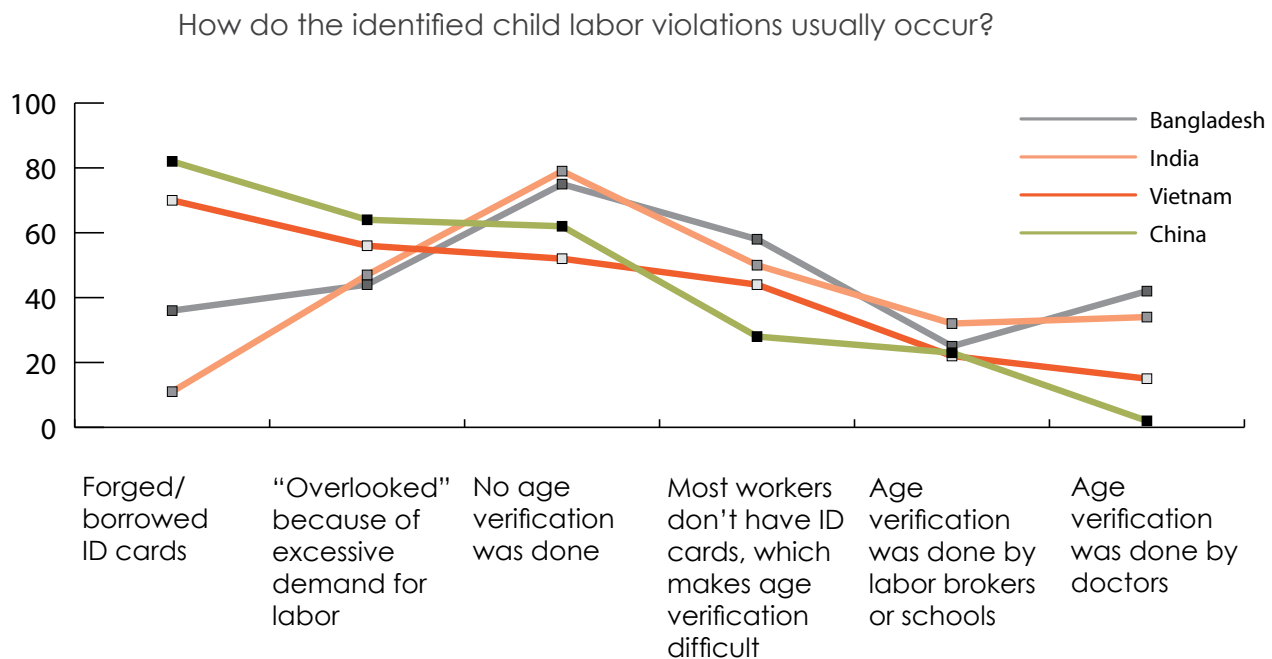
4 | BOTTLENECKS IN CHILD LABOR PREVENTION

How Child Labor Violations Usually Occur

• 59% of auditors believe child labor occurs because factories “overlook” the issue due to excessive demand for labor

From the auditors' perspective, we also looked at the top reasons for why factories fail to prevent child labor, and we clearly saw some divergence between countries in the region (Figure 12), especially between East & Southeast Asian countries (China and Vietnam) and South Asian countries (India and Bangladesh). Apart from the systemic challenges that factories have limited control over (e.g. “forged/borrowed ID cards” and “most workers don't have identity documents”), there are reasons that are directly related to factories' actions, such as “overlooked because of excessive demand for labor” and “no age verification was done”. While the absence of age verification seems to be a higher risk factor for India and Bangladesh, intentional recruitment of child laborers to satisfy labor demand seems to be the bigger issue in China and Vietnam.

Figure 12:



4 | BOTTLENECKS IN CHILD LABOR PREVENTION

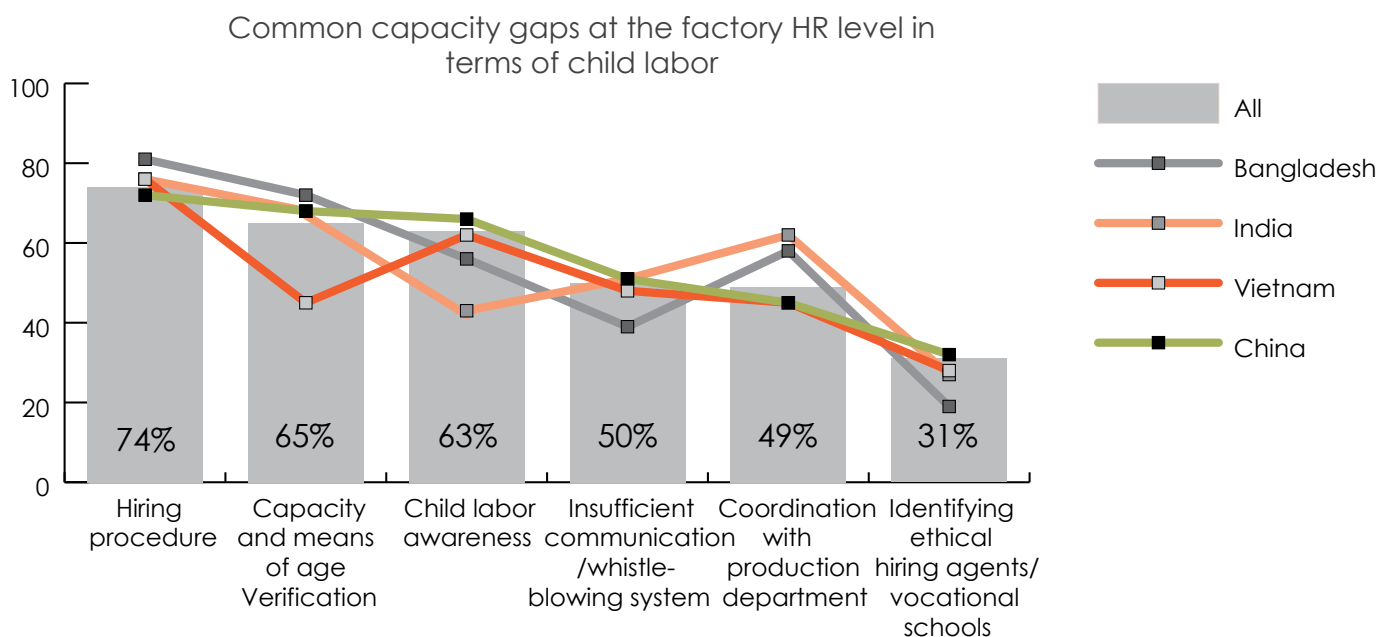
Capacity Gaps

- 74% of auditors consider hiring procedures to be the common capacity gap in factory HR procedures in terms of child labor

According to an experienced auditor from China, while child labor occurs in about half of the factories due to shortcomings in their hiring procedures, the other half deliberately use child labor to reduce labor costs and find ways to cover it up (for the full story, please refer to appendix 1). It is difficult for us to verify the extent to which factories are “well intended” but have limited capacity to prevent child labor, or “carelessly” hire child labor due to lack of commitment. However, Figure 13 shows that the “hiring procedure” is the number one capacity gap at the factory level in terms of child labor. This indicates a huge potential for improved prevention by assessing risks in factories’ hiring procedures and providing clear guidelines and training

to improve the factory procedures to prevent accidental recruitment of child laborers. According to an auditor from China, many factories that accidentally recruited child laborers are in fact grateful that the auditors helped them identify shortcomings in their hiring procedures. This indicates that many factories are willing to improve their practices if more support and guidance is given, instead of a negative audit report only. Closely following “hiring procedures”, especially in the case of China, “capacity and means of age verification” and “child labor awareness” are also major gaps in factories’ HR capacity, which could also be improved with more training and support.

Figure 13:



5 | GAPS IN REMEDIATION RESPONSE

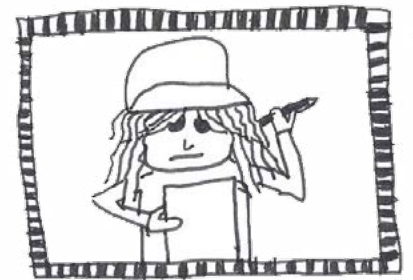
Immediate Actions after Discovering Child Labor

When the bottlenecks mentioned in the previous section lead to child labor prevention failure, immediate response very much falls into the hands of auditors – the first responders who uncover child labor. The actions they take in the first 12 hours of discovering a child labor case is usually determined by the instructions they receive from their employers and/or clients, but it is also influenced by their training.

- **Auditors who received child labor training tend to collect more information and take more action when discovering child labor**

The survey found that there is a significant positive correlation between the child labor training, the depth of information auditors collect and the actions they take after discovering child labor. Even when controlling for age, experience and gender, the auditors who received child labor training tended to collect more information about the child in the first few hours after discovering a case. There is also a significant positive correlation between the child labor training and the extent of usual procedures/actions taken during the first 12 hours. The auditors who received training on child labor tend to take more actions immediately after discovering a case (even when controlling for the age, experience and gender).

Looking at the usual procedures/actions taken by the auditors during the first 12 hours of discovering a child labor case, it is interesting to see that for the top three actions, there are quite a few similarities between China and other countries, which also seems to be the standard procedures. However, significantly more auditors from China secure the records of child labor violation and stop the child from work than other countries. The least common actions are even less typical for China than other countries. The least common actions taken at the earliest stage of discovering child labor could be the gaps in an effective immediate response that ensures the child's safety before the remediation process begins. For example, third-party organizations are involved in only a few cases after discovering child labor. This may be explained due to the lack of social workers and organizations that have the experience and competence to work on child labor and provide guidance for auditors and factories on what to do in the case of child labor.



5

GAPS IN REMEDIATION RESPONSE

Immediate Actions after Discovering Child Labor

We were surprised to see that the top two things that could go wrong before the remediation starts (“factory sends the child back to family/hometown without follow-up” and “child disappears”) are significantly more common in China than in other countries (Figure 14). Yet, when we compare them with the least common actions taken as immediate response (Figure 15), the reason becomes clearer. If 3rd party organizations were available to follow up with the case and the auditors knew whom to contact when discovering a child labor case, both of these problems could be avoided. However, according to Figure 15, only 9% (compared to 19% in other countries) of the auditors in China reported that 3rd party organizations were contacted when they discovered a child labor case.

Figure 14:

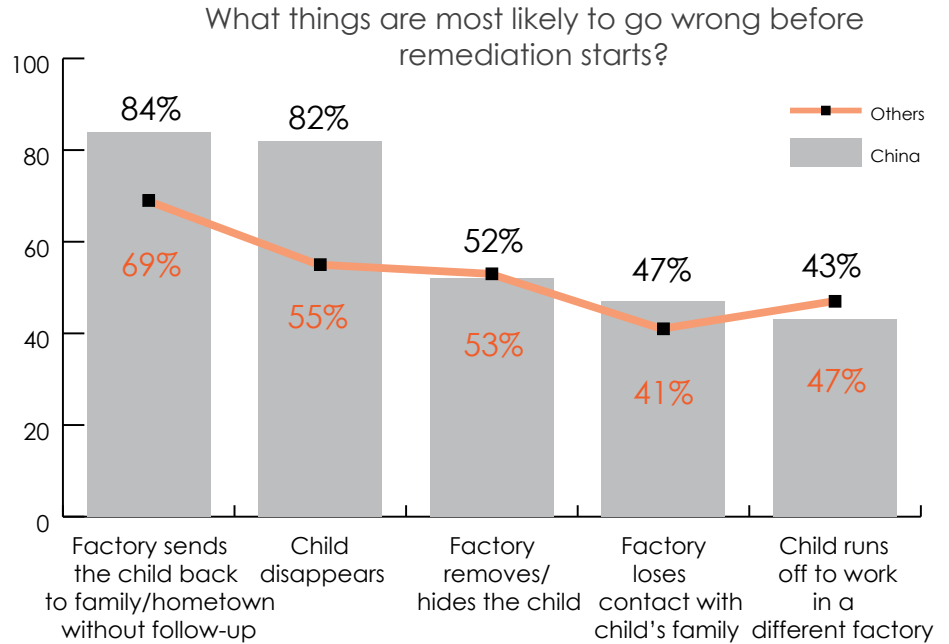
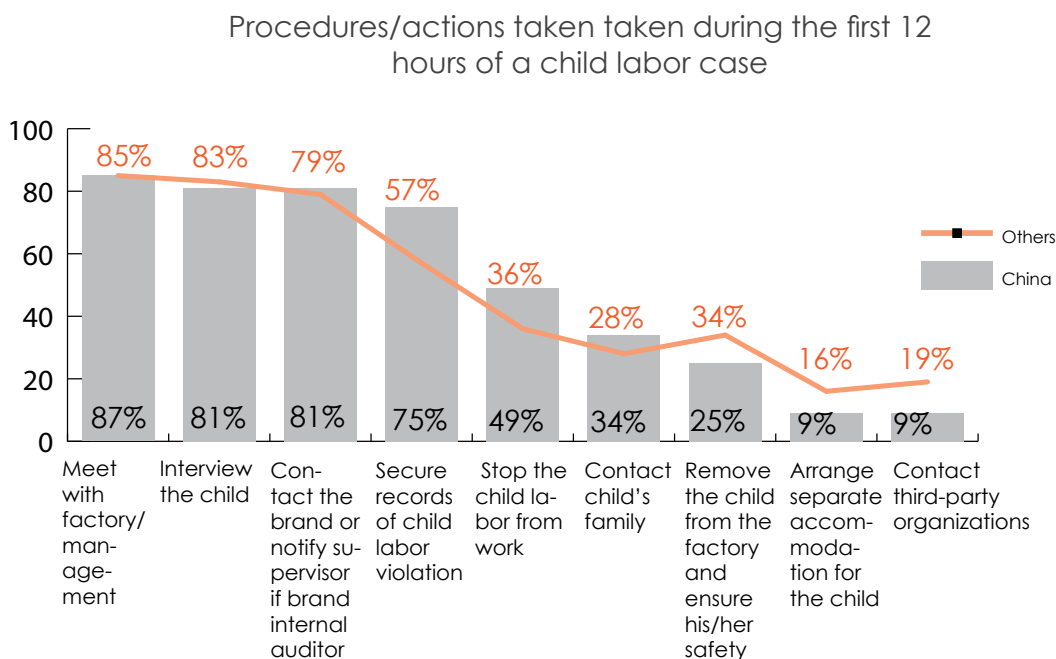


Figure 15:



6 | GAPS IN CHILD LABOR REMEDIATION

Challenges to a Successful Remediation

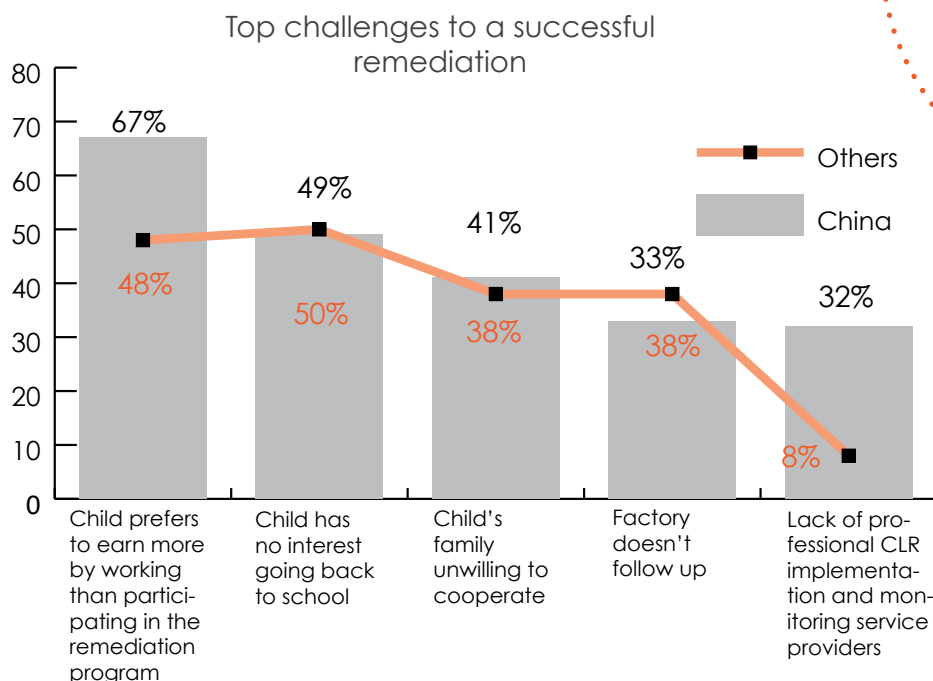
Remediation is a complicated process involving many different parties with possible conflicting interests and, in many cases, broken families and insufficient social systems to support the child. From the auditors' perspectives, the most common obstacles for successful remediation come from the child and his/her family, such as "child prefers to earn more by working than participating in the remediation program" (Figure 16). This challenge seems to be much more prominent in China than in other countries (19% difference). It is also interesting to see that the systemic "lack of professional child labor remediation implementation and monitoring service providers" is comparatively bigger for China, while quite negligible for other countries.

If we look at the reasons why the child or the family refuses to cooperate in remediation, we can see that it is not a problem that can be solved by simple persuasion. The amount of money that the child receives from the remediation varies depending on the brand and the factory. As far as we know, in many cases, the remediation does not pay the full wage until he/she reaches the minimum age; thus, the child and/or the family refuses to follow through with the remediation plan. When auditors were asked how they would react under such circumstances, 57% of them said they would recommend alternative options such as vocational school. In theory, it seems to be the best solution for young people who have no interest or are not in the best position to continue high school. However, in practice, it is not without its challenges.

- If the child's full wage is not paid, it can become a major hurdle to a successful remediation process

“The factory will only finance child laborer's tuition until he/she turns 16. However, most study programs in vocational schools are 2-3 years, which the child laborer's family would not want or cannot afford to continue paying. So sometimes, the child laborer disappears after a factory pays a certain period.” - An auditor from China.

Figure 16:



6 | GAPS IN CHILD LABOR REMEDIATION

Challenges Associated with Families

Apart from the complications of placing the child back in school, the family's unwillingness to cooperate is another major challenge for successful remediation. The significant differences between China and other countries in terms of families' involvement indicate not only the different situations auditors and factories/brands deal with, but it can also shed light on the root causes of child labor in different countries. Most of the auditors from China that we talked to know that many of the children come from dysfunctional families. In such cases, children receive very little support from their parents, which makes communicating with the families much more difficult. As shown in Figure 17, while facilitating the communication with the child's family is the most significant challenge for securing remediation in China, the financial obstacles seems to be a more important issue in other countries, where poverty is more likely to be the root cause of child labor.

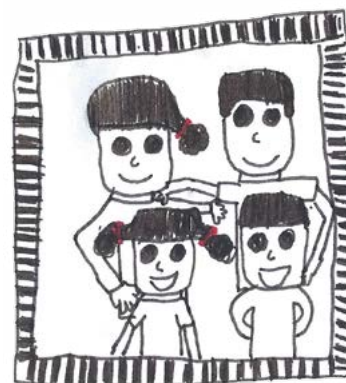
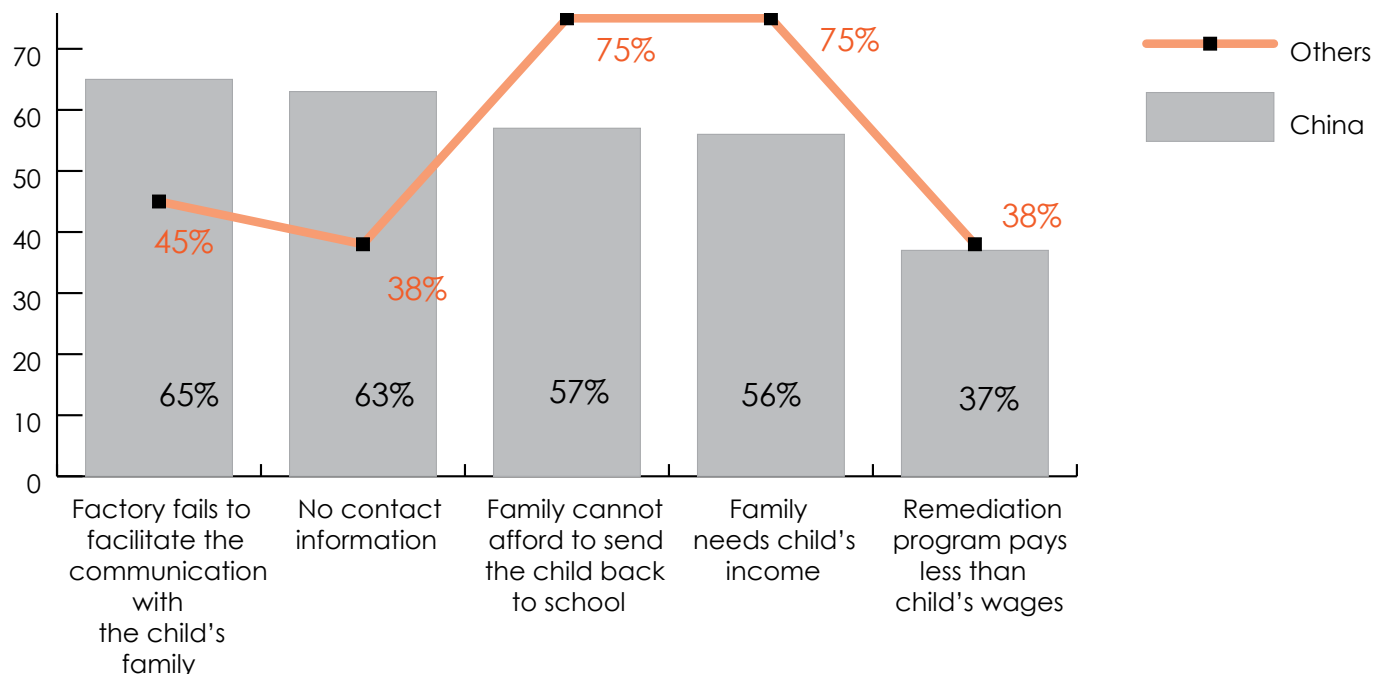


Figure 17:

Common challenges to securing family cooperation in child labor remediation



6

GAPS IN CHILD LABOR REMEDIATION

Challenges Associated with Factories

- 81% of auditors think the factory management's lack of awareness or commitment is the main challenge for securing factory cooperation during child labor remediation

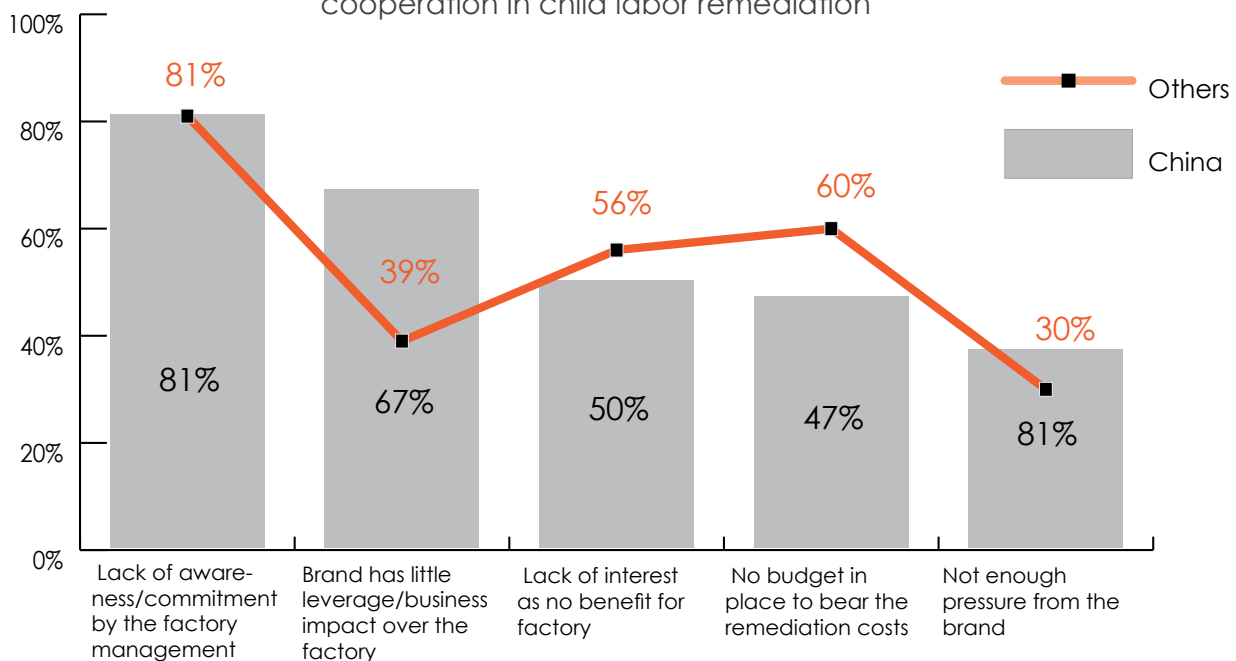
As seen in Figure 16, nearly 1 in 3 auditors think that factories' failure in following up is a common challenge associated with child labor remediation. Our interviews with auditors from various countries also confirm this result:

The vast majority of auditors in all countries believe that the factory management's lack of awareness or commitment is the main challenge for securing factory cooperation during child labor remediation (Figure 18). Particularly in China, auditors think that the brands' leverage within the factories is limited, with 67% of auditors in China saying that brands only have limited business impact on the factory.

“Our whole industry lacks a follow-up procedure. I think it is due to the fact that once the factory regains cooperation with the brands, it is over for them. To us, if the factory has paid all related expenses, it is a closed case and we will not follow up to see whether the child has gone to another factory.”- An auditor from China.

Figure 18:

Common challenges to securing factory cooperation in child labor remediation



7

HOW TO HANDLE CHILD LABOR CASES BETTER

Financial Guarantees

Clearly the foremost goal should be to prevent child labor, but as has been shown above there are great gaps in how child labor cases have been dealt with and there are surely better ways to handle it. From an auditor's perspective, we looked at what was needed in terms of costs and support from brands (or buyers) and third-party organizations.

As implied in the Figure 18, if there is no budget in place for factories to take immediate action, it can lead to the possible failure of child labor remediation. Therefore, in order to start the remediation process without delays and to prevent the child from disappearing, there needs to be a specific budget to move the process forward. The majority of auditors (more so in other countries than in China) believe such a budget should include school fees and the child's wages until he/she is of legal working age (Figure 19).

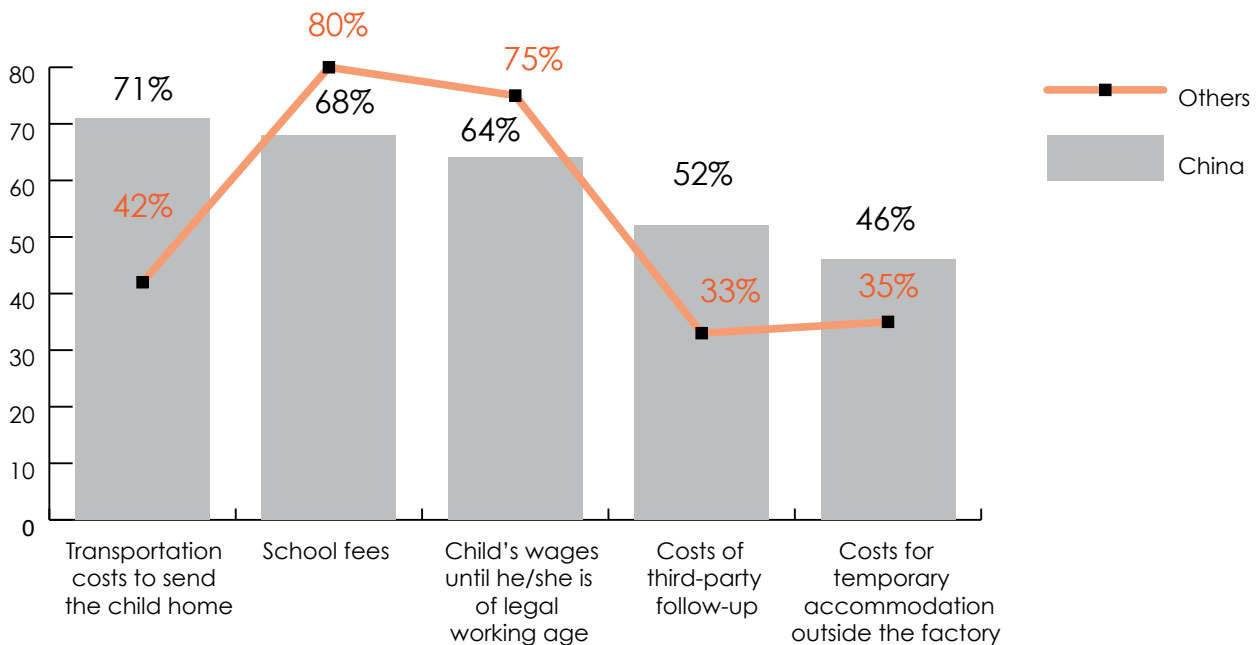
According to the auditors from China, transportation costs for sending the child home and third-party follow-up are much more needed than in other countries.

“

“The factory is supposed to support child's education until he/she reaches 15 years of age. It includes school fees and living expenses, but no amount is specified, and it depends on the policy of the brand and the factory”- an auditor from Vietnam.

Figure 19:

Financial guarantees needed to take immediate action for a successful child labor remediation



7

HOW TO HANDLE CHILD LABOR CASES BETTER

Financial Guarantees and Support from Buyers and Brands

When looking at the support needed from brands to enable a more effective and immediate child labor remediation, we see very similar trends for China and other countries. For the overwhelming majority, “specific guideline/protocols for factories to follow immediately after the discovery of a child labor case” is the most needed support from brands. Our interviews with auditors from different countries also revealed that the lack of an immediate response protocol gets in the way of effective remediation.

- 63% of auditors think that if brands allocate a special budget for child labor remediation, the process will be more effective.

“

“Having a very detailed procedure in place and customizing the remediation plan to each individual case is another key for successful child labor remediation... A tailored plan could for example include psychological support to those from broken homes who don't want to go back to school.”- An auditor from China.

“

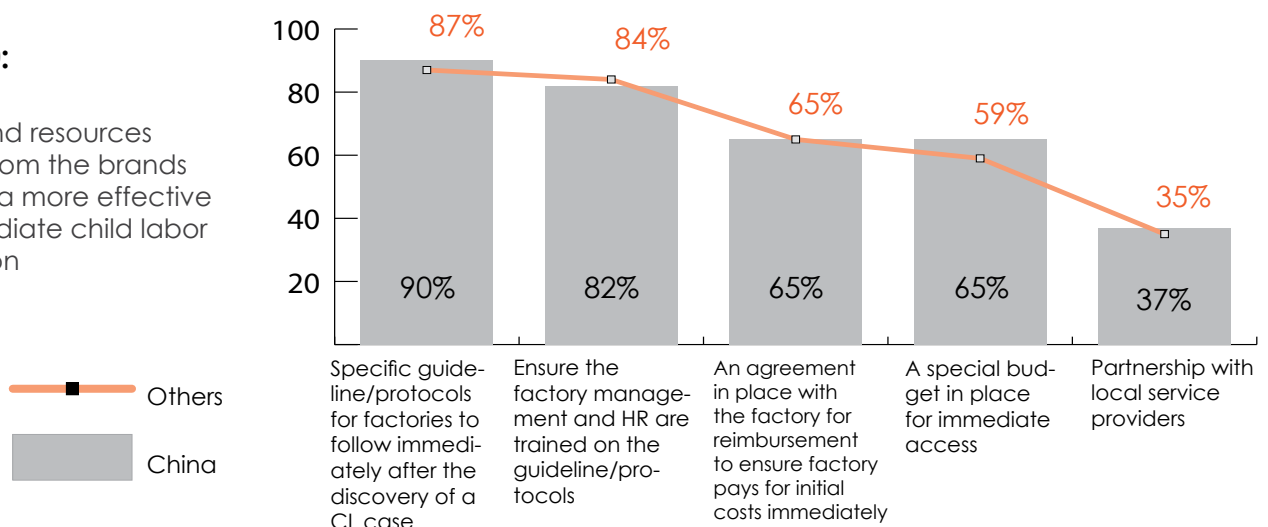
“I think the factory should not be the only finance source. The brands should also financially support the factory so that the child labor remediation can go on successfully. Previously, I haven't met any brand that finances a child labor remediation plan; all of them ask the factory to pay.”- An auditor from China.

While all auditors seem to agree that the factories should shoulder some of the remediation costs to discourage them from hiring child labor in the future, the majority (65% in China and 59% in other countries) think that the immediate response would be more effective if brands had a special budget in place for immediate access (Figure 20). Some auditors we interviewed believe that brands should even share part of the costs to make remediation more successful.

While more research and direct discussions with brands are needed to identify the best involvement of brands, the collected data can certainly help us reflect on the ways brands can take a proactive and strong role in child labor remediation.

Figure 20:

Support and resources needed from the brands to enable a more effective and immediate child labor remediation



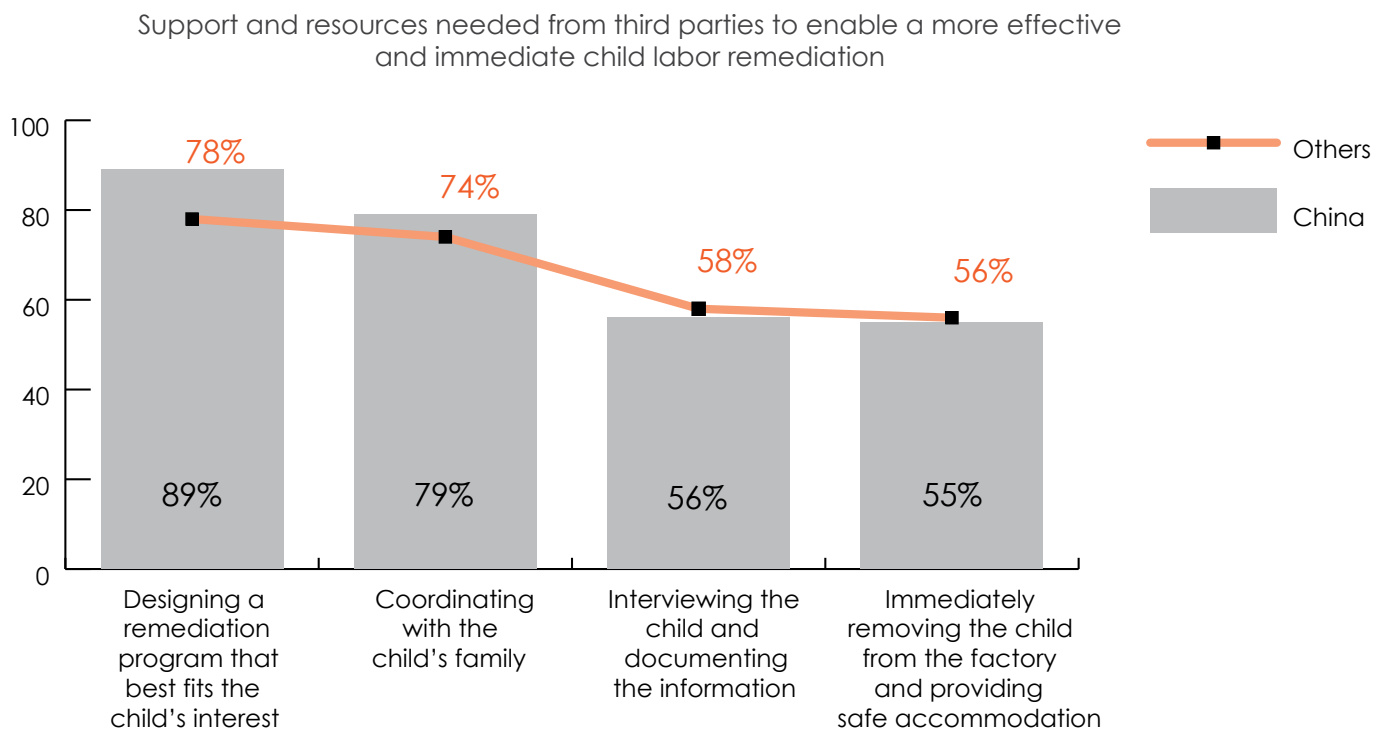
7

HOW TO HANDLE CHILD LABOR CASES BETTER

Support from Third Parties

In regard to support and resources needed from third parties, the results are very similar between China and other countries (Figure 21). Although a vast majority of auditors from all countries seem to agree that designing a remediation program that best fits the child's interests is the number one support needed from the third party, this number is 11% higher for China than other countries. This is in line with the results of the top challenges to a successful remediation program, where 32% of auditors in China thought lack of professional child labor remediation implementation and monitoring service providers are common challenges, as compared to only 8% in other countries (Figure 16).

Figure 21:



CONCLUSION

The following points are the summary of our findings through analyzing the quantitative survey data as well as the qualitative results from interviewing 40 selected auditors who participated in the survey. They reflect the views of 557 auditors working in different countries in Asia. We hope that their collective wisdom will help brands and associates gain a clearer picture of the of the child labor situation in the region, identify the gaps and challenges in preventing and responding to child labor from the experiences of the first respondents –auditors, and improve the systems in place to address child labor.

1

Child labor is still an issue in the supply chains that shouldn't be overlooked. 64% of auditors encountered suspected child labor cases in the past two years and 82% of those cases were confirmed.

2

Almost a third of the suspected child labor cases were not corroborated in the past two years. Factories' cooperation is crucial in corroborating a case, but sometimes brands don't have enough leverage to hold factories accountable, which suggests brands with overlapping supply chains would benefit from forming collaborations.

3

Identifying child labor might be significantly affected by internal factors associated with the auditors, such as gender, years of experience and child labor training. For example, female auditors in China discovered significantly more child labor cases than their male counterparts. Auditors in countries outside China discovered significantly more child labor when they received child labor training, which coincides with the fact that considerably more of them received their child labor training from a third party as compared to auditors in China. Therefore, there is a need to take a closer look at the role or gender and child labor training on child labor identification.

4

Child labor occurs oftentimes because factories "overlook" the issue due to an excessive demand for labor; and hiring procedures is a top capacity gap in factories' HR procedures in terms of child labor. More support and guidance to identify and correct shortcomings in factories' hiring procedures will possibly be more effective in preventing child labor than simply providing negative audit reports.

CONCLUSION

5

Lack of follow-up and the child “disappearing” are the most common things to go wrong before remediation starts, which could be avoided with effective involvement of third party organizations. Yet, in practice, contacting third party organizations when discovering child labor seems to be the biggest gap in immediate response, especially for China.

6

Impact of removing the child laborer from factories could be both positive and negative depending on the situation, and therefore customized remediation plans for each case are key to a successful child labor remediation.

7

If remediation does not cover the child’s full wages, it can be a major challenge to a successful remediation, especially for impoverished families.

8

Factory management’s lack of awareness or commitment is the main challenge for securing factory cooperation during a child labor remediation process. Brand’s limited leverage within the factories can be a significant challenge as well, especially in the case of China.

9

The number one support needed from brands is specific guidelines/protocols for factories to follow immediately after the discovery of a child labor case, and having a special budget in place for child labor remediation will make the process more effective.

10

Designing a remediation program that best fits the child’s interests is the main support needed from the third party organizations.

Disclaimer: The following story is based on an in-depth interview CCR CSR conducted with a senior auditor based in India. In order to protect his identity, an alias was used throughout the story. The views presented in this article are based on the interview transcripts and do not necessarily reflect the views of CCR CSR.

“We have been auditing in main manufactory units, where we have never come across child labor. It is in the supply chain outside the main factories where we found instances of child labor.” Mr. Ganesh has over 15 years of auditing experience in industries covering apparels, sports goods, agricultural products, jewelry and home goods and has conducted assessments and verification of reports indicating child labor.

As part of his role, Mr. Ganesh has travelled to provinces far and wide across India to conduct audits. This has given him an in-depth insight into the reasons for child labor and also into how it takes shape.

“Last year, we did a pilot research study initiated by a social compliance initiative for some European brands on home workers and child labor in the footwear supply chain, in which we witnessed children working from home in some villages in South India. There are some communities, in which women usually work from home due to cultural reasons and preferred to work at home during their spare time after house chores (attaching uppers to shoe soles). We noticed that some shoes were hand stitched at home by children to help their parents after school.”

Mr. Ganesh's discovery suggests that routine factory audits do not always represent the full picture when it comes to child labor. Most of the children who work from home are not directly hired but work along with elders at home, to whom work

is outsourced through local subcontractors and therefore often fails to come under the radar of brands and auditors.

As far as child laborers go, the ones who have time to study and work are arguably the fortunate ones. There are plenty of children in India who forsake schooling altogether to work. As Mr. Ganesh explains, many schools across India are not well established. Often they are located far from the children's homes and many suffer from high teacher absenteeism rates. What's more, many parents don't see their children's education as an investment but as a potential threat to the family unit. Some of the parents who have been involved with such work, expressed reservations about sending their children to school and preferred to involve them with the tradition of work being done so they could carry on with the family business.

“Parents are scared that if the children go to school, they are exposed and learn too much, they will find a job in the city and leave them alone at home in the villages,” Mr. Ganesh tells us.

One can therefore argue that in many cases, the seeds of child labor have been sewn in the family home, where parents' lack of awareness of the importance and value in education translates into children shunning the classroom in favor of work. Further adding to the complexity of the situation, Mr. Ganesh does not believe that simply removing the child laborers from the workplace is the best solution:

"I don't think stopping child laborers from working is the solution. What would the child do after schooling hours? Risk of getting involved in anti social activities cannot be ruled out. So maybe involving them with work at home helps with the child learning the family work tradition and also diverts them from getting involved with antisocial activities. As the saying goes: "An empty mind is a devil's workshop". Alternative engagement needs to be provided. We should make sure a child is not deprived of their right to basic education, and also the State, private sector, or organizations (which are funded by the government or private companies), could possibly set up a learning center for skill development, computer classes, art class, etc. so that the children can come here after school to learn something which would help them in the future. But again, the parents may have concerns that after the children learn to use a computer or learn to do something new, they will find a job in the city and leave the parents behind, so they prefer their children not to be sent there."

But if removing the children from the workplace isn't the answer, as Mr. Ganesh believes, it's difficult to find an alternative that would be accepted by all. While asking the factory to hire skilled workers from the areas where such learning centers are based may help the parents accept such centers more, Mr. Ganesh is all too aware that from the factory's perspective, such initiatives may drive up their production costs thus making them less competitive and at greater risk of losing business

In the manufacturing facilities, the HR staff often face challenges when it comes to

verifying a worker's age while hiring and it is more predominant in factories located away from cities and closer to/in villages. Mr. Ganesh recounts one instance in which he tried and failed to verify the age of a suspected child laborer during an audit: "It is often not easy for us to get the real age of the child from child himself/herself, as most children don't know their date of birth exactly." This underscores the immense challenges HR personnel are confronted with. They have to rely on an age certificate issued by a doctor in absence of any other document reflecting the age

According to Mr. Ganesh's experiences, how do brands react to the child labor situation in India?

There are some brands working on prevention of child labor in their supply chain but I am not sure how much is achieved in controlling/prevention of child labor within their supply chain. There are multiple questions that need to be taken into consideration including: how many suppliers are working in this area? How much business is done with this supplier?, Is it only one supplier or multiple suppliers involved in the products made by the village?. Investment in setting up learning centers would be related with business/revenue. Continuity of business with supplier(s) is not guaranteed as it depends on the market demands/costing etc.," he suggests. Brands could possibly define how much the supply chain requires to be monitored and what is practically possible. This would involve the tracing of the complete supply chain and each production process involved.

While a handful of brands have started to look into the whole supply chain, Mr. Ganesh points out that it may not be easy for the

brands to track down each component of a product that has been ordered to a supplier. The main suppliers tend to use multiple subcontractors to save on labor costs and increase profit margins. Transparency on sharing factual information is a concern because information provided often does not get digested well and suppliers fear the risk of losing business if they share complete information.

But the interview does end on a slightly more hopeful note. Mr. Ganesh stresses that brands do send a very clear message to factories about their zero-tolerance stance towards child labor. And it's also a positive sign that more and more brands want to understand their supply chain, and when approached under this perspective, manufacturers may be more willing to get into a dialogue with brands.

Disclaimer: The following story is based on in-depth interviews CCR CSR conducted with three auditors in China. In order to protect their identity, aliases were used throughout the story. The views presented in this article are based on the interview transcripts and do not necessarily reflect the views of CCR CSR.

After conducting in-depth interviews with three auditors in China about their experiences with child labor, some clear patterns have emerged. Each auditor cited shortcomings in recruitment procedures or factory management systems as a key cause of child labor in factories. What's more, none of them had follow-up procedures to check on the status of the child following a child labor remediation procedure.

According to Mr. Zhang, an auditor from Shenzhen with nine years of auditing experience, child labor in Chinese factories exists for three reasons:

1. Labour shortages in coastal areas and urgent orders from clients
2. Regulation shortcomings in remote factories: normally the factory will hire local workers, who bring their children to the factories to work during school vacations
3. Factory management shortcomings: Child laborer use fake IDs, but the factory has no way of checking the authenticity of the IDs, and don't want to increase their HR expenses

Lack of awareness and effective systems to prevent and remediate child labor

While about half of the factories Mr. Zhang has worked with are grateful that the auditors helped them identify shortcomings in their hiring procedures, the other half deliberately use child labor to reduce labor costs and find ways to cover it up:

"They are afraid the auditor can discover the child, so they normally ask the child laborer to leave before the auditor arrives and they will not provide any record of attendance related to the child. They may also tell the child laborer to not show their ID and not to tell the auditor their age."

A lack of awareness among the children's caregivers further exacerbates the situation: "They don't care so much about the issue, as he/she is not their child and some of them even think that by leading the kids to the factory, they are solving problems for them."

Ms. Tang (alias) a third-party auditor from Shanghai, confirms this: "Their parents don't have the awareness that their children shouldn't work at this early age and they will ask the children's wish whether they want to continue studying in school or work in the factory. If they choose the factory, the parents will allow them."

Suggestions for improvement

When it comes to supervising the child labor remediation process, Mr. Zhang feels a lot can be improved:

"We still need to improve the follow-up procedure. We have the procedure to ask the factory to provide the payment receipts for tuition and travel expenses to his/her guardians, but we will not follow up on the remediation plan."

This means that there is no way of knowing whether the remediation case has been

successful over the long-term, or whether the child simply switched to another factory or workplace.

Ms. Bai, also an auditor from China, echoes these sentiments: "Due to the limitation of auditing reports, I can only see whether the child labor cases have been closed, but not how it was closed. This is not reflected in the auditing report. "

Ms. Tang, who has discovered 20 cases of child labor with her auditing company to date, agrees: "Our whole industry lacks a follow-up procedure. I think it is due to the fact that once the factory regains cooperation with the brands, it is over for them. To us, if the factory has paid all related expenses, it is a closed case and we will not follow up to see whether the children have gone to other factories."

Having a very detailed procedure in place and customizing the remediation plan to each individual case is another key for a successful child labor remediation case, Mr. Zhang stresses. He thinks a tailored plan could for example include psychological support to those from broken homes who don't want to go back to school. According to CCR CSR's own experience with child labor remediation, the majority of child workers do indeed come from troubled backgrounds. Many are left-behind children who have received little to no support and encouragement to stay in school.

Another important factor in ensuring a successful remediation is the budget.

"I think the factory should not be the only finance source. The brands should also financially support the factory so that the

child labor remediation (CLR) can go on successfully. Previously, I haven't met any brand that finances a CLR plan; all of them ask the factory to pay," says Mr. Zhang.

Ms. Bai thinks the entire factory management system is flawed and needs an overhaul. For example, many factories are tolerant of children working during the summer vacations because they know they are only temporary and the management team doesn't factor in the risks to the brands and often only focus on the costs. Ms. Bai believes that a close collaboration between brands and factories can help improve the remediation process:

"The factory management must be willing to implement child labor remediation to the end and if the brands provide certain support (e.g. volume of orders and unit price), that could leverage factory management's decision on CLR, the factory could have a greater possibility to complete the CLR."

In short, according to all three auditors' experiences in China, the current system in place for child labor remediation is a short-term solution that is essentially designed to allow factories to continue cooperation with brands once the child has been removed from the workplace. For most factories, the completion of a report signals closure of the case. A lack of follow-up procedures means there is no way of knowing whether the remediation has had a positive impact on the child's life or whether he/she simply switched employers. What's more, lax hiring procedures and a lack of awareness among factory management on the risks of child labor means that these children are likely to find employment elsewhere, thus perpetuating the vicious cycle.

Disclaimer: The following story is based on an in-depth interview CCR CSR conducted with a senior auditor in Vietnam. In order to protect her identity, an alias was used throughout the story. The views presented in this article are based on the interview transcripts and do not necessarily reflect the views of CCR CSR.

Just recently, Ms. Ngo (pseudonym), a female senior auditor from Vietnam, discovered a child laborer in a factory west of Ho Chi Minh. The child looked suspiciously young so Ms. Ngo asked to see his personnel file, which he couldn't provide because he was under the age of 18. In order to verify his age, Ms. Ngo asked him whether any other family member works at the factory. As it turned out, his mother was also employed there. From that piece of information, Ms. Ngo was able to access the mother's personnel file and household registration book, which stated the child's age. Upon confirming the presence of the child laborer, the client's standard child labor response procedure kicked in:

"I filed the child labor report, immediately stopped the auditing procedure and started reviewing 100% of the personnel files (or 50% depending on the staff number) to see whether they have historical child labor alerts."

As part of the procedure, Ms. Ngo had to interview the mother to find out the reasons for bringing the child along to the factory, as well as workers to determine whether or not this was an isolated case.

A remediation process followed but Ms. Ngo was not involved. The client sent someone to the factory to verify Ms. Ngo's claims and to carry out the remediation. Ms. Ngo can only rely on hearsay to tell us how she thinks the remediation process was carried out:

"I heard they will interview the child

laborer's parents and ask what is the expectation of the child laborer. If the child laborer says he/she wants to go back to school, they will send him/her back to school to continue their education. If the child laborer wants to learn something in the factory to lay foundation for their future, they will send the child laborer to vocation school and calculate the cost. However, I think if the factory pays the tuition to the child laborer's parents directly, they will spend the money. The money should be paid to the vocational school directly. The factory should pay all costs of the remediation, otherwise, the factory will continue to violate the policy and hire children."

Unlike some other auditors whom we interviewed, Ms. Ngo actually follows up on the remediation case. "When I do follow up on an audit, firstly I will complete the standard procedure, then I will interview the parents and ask what happened after the discovery. They will tell me about the remediation plan and I will interview the team leader of the child laborer," she tells us.

But despite the access to parents for interviews, she often encounters obstacles when it comes to learning the truth.

"Sometimes, the factory will teach the parents what to tell us. Therefore I need to verify the information from different sources, such as from the frontline workers, team leaders, coworkers and surrounding people, to see whether the factory has kept hiring child laborers."

Ms. Ngo recounts another instance where she found child laborers and was not given the contact details of the client to send the report to. Instead, the factory removed the child laborers, hired another audit company and passed the inspection. Because the factory was her client and not the brand, she had to keep her findings confidential.

In addition to the challenges above, Ms. Ngo also feels that a lack of awareness about child labor by factory management contributes to capacity gaps at the HR level:

"For the initial audit, before the brand signs the agreement with the factory, the factory management is not aware what the definition of child labor is and they are not aware that they cannot hire child laborers. It is very common in Vietnam in the factory's first social compliance audit and when the factories are far from Ho Chi Minh City. The parents of the child laborers in these areas are often taking their children with them to factories because they want to control their children. There are two reasons for the factories to hire child laborers: 1) lack of employees; 2) cheap labor (the salary of child laborers is only 50% of normal workers)," Ms. Ngo explains.

With so many challenges thrown in an auditor's path, it goes without saying that auditors themselves need to be well trained and tactful. According to the results of CCR CSR's online auditor survey, 58% of auditors interviewed were male and interestingly, Ms. Ngo believes there are some differences:

"Female auditors are more into details, spending more time on auditing and the male [auditors] are not too detail-oriented. Some auditors don't look cross the production line or at the faces and bodies of the workers, so they can not find the child laborer."

Being able to adapt your communication style is another must-have skill for an auditor, Ms. Ngo stresses. Children shouldn't be asked direct questions as this may scare them off.

"When we talk to the children, we change our voice and we use different ways to address them (brother, sister, etc.), like we talk to the children and family members."

When it comes to improving the performance of auditors, Ms. Ngo feels that more training is the way to go. "Brands should pay more attention to monitoring and making sure the auditors are providing the true information. The brands should also provide auditing trainings," she adds.

This report was made possible due the support of about 30 companies and auditing associations. The launch of this report was also supported by Samsung Electronics. CCR CSR would like to extent a heartfelt thank you to all those who supported this initiative.

Companies with Supply Chains in Asia



1. Apple Inc
2. C & J Clark International Ltd
3. C&A
4. Clas Ohlson
5. Colosseum
6. Disney
7. Flex
8. Fossil
9. H&M
10. HASBRO
11. ICA
12. Kingfisher
13. Li & Fung
14. Lindex
15. Mircosoft
16. MQ AB
17. Primark
18. Samsung Electronics
19. TopToy

Audit Companies/Associations



1. BSCI
2. CNTAC
3. Elevate
4. Fair Labor Association
5. Gekko
6. ICTI CARE
7. OpenView
8. SGS
9. TUV Global
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Report by: Center for Child Rights &
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