POLICY**REPORT**

# Creating markets for child-friendly growth

## Addressing child labour through G20 public procurement

# EXECUTIVE SUMMARY

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

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

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

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

## Child labour and economic growth

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

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

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

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

[1] "G20 Leaders' Declaration", September 2013, https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf (accessed 20 February 2014).
[2] International Labour Organization, "What is Child Labour", http://www.ilo.org/ipec/facts/lang--en/index.htm (accessed 5 October 2013).

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

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

## Child labour in an economically interconnected world

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

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

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

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

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[3] World Economic Forum (2013), "The Human Capital Report", p.1.
[4] "G20 Leaders' Declaration", September 2013, https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG.pdf (accessed 20 February 2014).

## Why public procurement matters

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

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

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

## Benefits of a common approach

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

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

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

## Our call to the G20

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

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

2. Is grounded in the *Protect, Respect, Remedy* framework as articulated in the UN Guiding Principles on Business and Human Rights and General Comment No 16 on State Obligations Regarding the Impact of the Business Sector on Children's Rights;

3. Ensures that public authorities follow the example set by existing leading multi-stakeholder initiatives, and address supply chain labour standards issues in a manner that clearly prioritises the best interests of the child, and works *with* suppliers, with termination of the contractor/supplier relationship used as a last resort; and

4. Draws on international best practice in relation to the design and implementation of compliance regimes, the exercise of proper due diligence, the verification and monitoring of corporate compliance (including through communication and reporting of performance), and in the handling of complaints.

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

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

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

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