

Introductory Note: IFC's Policy Statement on Forced Labor and Harmful Child Labor

This package contains two documents: (1) the Policy Statement on Forced Labor and Harmful Child Labor and (2) the Harmful Child Labor Interim Guidance. In March 1998, IFC's Board of Directors adopted a Policy Statement on Forced Labor and Harmful Child Labor. IFC is committed to seeing that its projects are not responsible for children being employed under harmful circumstances. The Policy Statement, thus, applies to each and every project IFC is involved in, regardless of sector or regional classification.

The terms of the Policy Statement are rather broad causing many project sponsors to look to IFC for further explanation. IFC responded in July of 1999 with the publication of an Interim Guidance designed to make clearer its expectations regarding the harmful child labor portion of the Policy Statement.

A more thorough Harmful Child Labor Guidance is currently in production. IFC's Environment Division has conducted many field visits and carried out further research on harmful child labor in the interest of providing project sponsors with the best guidance available. When this guidance document is finished it will be provided to IFC project sponsors to assist them in complying with the harmful child labor portion of the Policy Statement.

Any general questions concerning IFC's position on forced or harmful child labor should be directed to IFC's Associate Director, Environment Division. Specific project related inquiries should be directed to the Social Development Specialist assigned to the project.



March, 1998
**IFC Policy Statement
On Forced Labor and
Harmful Child Labor**

IFC Policy Statement on Forced Labor and Harmful Child Labor

Under this policy, IFC will not support projects that use Forced or Harmful Child Labor as defined below. Projects should comply with the national laws of the host countries, including those that protect core labor standards and related treaties ratified by the host countries.

‘Forced Labor’¹ consists of all work or service, not voluntarily performed, that is exacted from an individual under threat of force or penalty.

‘Harmful Child Labor’² consists of the employment of children that is economically exploitative, or is likely to be hazardous to, or interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral, or social development.

IFC will incorporate the necessary provisions in its contractual documents to implement this policy.

¹ Based on International Labor Organization Convention No. 29 “Concerning Forced and Compulsory Labour,” Article 2 (1930).

² Based on the United Nations Convention on the Rights of the Child, Article 32.1 (A/Res/44/25; 2 Nov. 1989).

Harmful Child Labor: Interim Guidance³

Introduction

Due to poverty and a wide range of societal and cultural norms, child labor is widespread in developing countries. It is found overwhelmingly in the informal sector, but not exclusively so. Certain industries (such as agriculture, textiles, garments and sporting goods) provide examples of child labor in the formal sector which serve both local and international markets. There are also problems where the formal and informal sectors interface through supplier relationships and sub-contracting.

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, realizes that child labor is a complex problem. In order to respond to the growing need to provide guidance to its staff and clients on this issue and to ensure that its projects are socially responsible, IFC has developed the following initial guidance material. This guidance note is intended to raise awareness of the issue among IFC staff and its clients.

IFC's Policy

IFC will not support projects that use Harmful Child Labor as defined below. Projects should comply with the national laws of the host countries, including those that protect core labor standards, and related treaties ratified by the host countries.

'Harmful Child Labor'⁴ consists of the employment of children that is economically exploitative, or is likely to be hazardous to, or interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

IFC will incorporate the necessary provisions in its contractual documents to implement this policy with sponsors and business partners.

³ This document has been prepared as guidance for IFC staff and clients. Questions may be addressed to the Associate Director, IFC's Environment Division. Information on policy or other guidance is available to the public through IFC's World Wide Web site at: <http://www.ifc.org/enviro>.

⁴ Based on the United Nations Convention on the Rights of the Child, Article 32.1 (A/Res/44/25; Nov. 1989).

Background Note

1. What creates the conditions for child labor?

Poverty is the main reason children are forced to work. The supply of child labor is directly linked to the need for children to provide supplemental income for their families or to support themselves. A great deal of child labor and occasional work by children does take place within the context of the family unit; however, for some children, such as orphans and abandoned children, it is the only way they can sustain themselves.

Poverty, therefore, is part of a vicious cycle of child labor leading to:

- children in generally low paid and often exploitative working conditions;
- lack of access to educational opportunities and personal development for the individual child; and
- the uncritical continuation of business practices and social attitudes which tolerate these forms of labor, limit the children's abilities to overcome their situation and perpetuate the cycle.

The demand for working children by employers is less well-documented. Some formal and informal sector employers in some countries may view children as a necessary component of the workforce because they are:

- more submissive than adults and, therefore, more malleable to working in harmful conditions;
- viewed as more adept at working on fine tasks due to their

diminutive features (e.g., carpet weaving); and

- less expensive than adult workers.

This is a very short-term and regressive view of labor.

2. Why is IFC focused on this issue?

Harmful child labor is morally unacceptable and in conflict with the World Bank Group's mission to promote socially responsible development. It also represents a serious reputational, legal and possibly financial risk for any individual business that knowingly or inadvertently benefits from it. Moreover, the private sector generally will never be trusted if it is thought to countenance and benefit from such unacceptable practices towards the most vulnerable in society.

If the private sector is to make the distinct contribution to development it is capable of, companies need to adhere to a clear set of basic standards on children working and to collaborate with governments, NGOs and international agencies, to quickly eliminate harmful child labor. This is not just a matter of corporate responsibility but an investment in the future workers and consumers of developing countries.

3. What are the standards and how will IFC apply them?

With respect to all its investments, directly or through financial intermediaries, IFC is guided by international norms based on standards set by international conventions and the International Labor Organization (ILO). The Minimum Age Convention, 1973 (No. 138) encourages member states to set a minimum age that is not less than the completion age for compulsory

schooling, or not less than 15 years.

However, in developing countries, it allows for a lower minimum age – 14 years in general, 12 to 14 years for light work and, in special cases, 16 years for hazardous work.

IFC will review instances of child labor on a case-by-case basis, and will refer to these standards as appropriate.

4. **Examples of Harmful Child Labor:**

Not all work undertaken by children is illegal, unacceptable or harmful particularly in the context of the family unit. Children may appropriately be introduced to the world of work, when it does not interfere with their schooling, when they are properly supervised, and when they work in acceptable conditions with provision for rest and recreation. Children working will remain a feature of many developing countries. However, some labor is clearly harmful to children's physical, emotional, mental or spiritual well-being and development. While it is not possible to list all instances, obvious and common problems are children:

- under 12 years of age doing full-time or part-time work;
- working under forced labor conditions or as bonded laborers;
- working long hours, doing arduous tasks and working without proper supervision and care;
- working in inherently hazardous environments such as mines, quarries, docks, ships, construction and meat processing;
- working in environments where chemical and other industrial hazards are found such as

foundries, welding shops, garages, toy making and tanneries; and

- where they are exposed to sexual abuse and physical punishments; prostitution sometimes found in association with tourism and travel, being particularly intolerable.

While all children are vulnerable to exploitation and hazard while working, the situation of young girls has given cause for special concern.

5. **Responsibilities of the IFC project team.**

IFC staff who witness or suspect potential instances of harmful child labor during appraisal or supervision missions will contact the designated Social Development Specialist for further information on how to appropriately deal with the issue. The Social Development Specialist assigned to the project team will then determine the facts of the situation, review options and recommend a course of action consistent with this policy. If harmful child labor is identified as a potential issue during project appraisal, IFC will drop the project from further consideration unless the project sponsor provides an appropriate mitigation plan to eliminate or avoid harmful child labor to IFC. Approval of this plan by the Social Development Specialist is necessary before the project is given Environment Division clearance. Details on actions taken regarding child labor will also need to be addressed in the appropriate documentation released to the public (e.g. EA report for Category A project, ERS for Category B project). If harmful child labor is identified during project implementation through IFC supervision or otherwise, the IFC

project team will gather additional information as necessary, discuss an appropriate course of action, and follow up with the project company and sponsor until the non-compliance situation is resolved.

6. How can project sponsors reduce and manage the risk?

To assist in combating harmful child labor, all project sponsors should review:

- the age and employment profile of all people under 18 working in the business, paying particular attention to young people under school leaving age;
- present workplace conditions (i.e., occupational health and safety conditions including exposure to machinery, toxic substances, dust, noise and ventilation);
- work hours and nature of the work; and
- local and national laws governing child labor.

Following this assessment, the project sponsor should:

- eliminate those cases of harmful child labor which may exist in the business, taking into account the welfare of the child;
- set a corporate minimum work age and develop a corporate policy statement against harmful child labor; and
- if concerns exist about borderline cases, seek advice from IFC and/or local public agencies about best practices.

7. Problems of Harmful Child Labor in the Supplier and Sub-contracting Businesses

It has been noted that problems of harmful child labor may exist with suppliers and sub-contractors (i.e. in the forward and backward linkages of the business). Companies should also review major supplier relationships with care and talk to business partners to identify any specific examples of harmful child labor within these enterprises. Business Partners should be made aware of the unacceptable nature of any harmful child labor practices and the reputational and other risks that they raise, both for their own company and for IFC clients. For any problems identified, business partners should then be asked to address them.

**Resource Websites related to
Child Labor**

Child Workers in Asia: NGO Network	http://www.asiapoint.net/cwa/index.html
International Labor Organization (ILO)	http://www.ilo.org/public/english/child/index.htm
Child Labor Program	http://www.ilo.org/public/english/90ipec/index.htm
The International Trade Union Campaign to Stop Child Labour	http://www.icftu.org/campaigns/childlabour/echildmain.html
UNICEF	http://www.unicef-icdc.org/