



Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

Federal Publications

Key Workplace Documents

1-1-1997

By the Sweat & Toil of Children (Volume IV): Consumer Labels and Child Labor

U.S. Department of Labor

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/key_workplace

Thank you for downloading an article from DigitalCommons@ILR.

[Support this valuable resource today!](#)

This Article is brought to you for free and open access by the Key Workplace Documents at DigitalCommons@ILR. It has been accepted for inclusion in Federal Publications by an authorized administrator of DigitalCommons@ILR. For more information, please contact hlmdigital@cornell.edu.

By the Sweat & Toil of Children (Volume IV): Consumer Labels and Child Labor

Keywords

Key workplace documents, federal, ILR, Catherwood, children, international, child, labor, program, affairs, report, policy, trade, development, ILO, government, IPEC, UNICEF, import, U.S., United States

Comments

Suggested Citation

U. S. Department of Labor. (1997). *By the sweat & toil of children (Volume IV): Consumer labels and child labor*. Washington, DC: Author.

B Y T H E
SWEAT
& TOIL
O F C H I L D R E N

Volume IV:

Consumer Labels and Child Labor



U.S. Department of Labor
Bureau of International Labor Affairs
1997

B Y T H E
**SWEAT
& TOIL**
O F C H I L D R E N

Volume IV:

Consumer Labels and



U.S. Department of Labor
Alexis M. Herman, Secretary of Labor
Bureau of International Labor Affairs
Andrew J. Samet, Deputy Under Secretary
1997

Acknowledgments

This report was prepared under the direction of Andrew J. Samet, Deputy Under Secretary for International Labor Affairs (ILAB). The writing, editing, research and coordination of the report was done by the staff of the International Child Labor Program, Sonia A. Rosen, Maureen Jaffe, Maureen McGarr Pettis and Anjali Kataria as well as by Marcia M. Eugenio and Jorge Perez-Lopez of ILAB's Office of International Economic Affairs. Other staff of the Bureau of International Labor Affairs, the Office of the Solicitor, the Bureau of Labor Statistics, the Employment Standards Administration - Wage and Hour Division (New York Regional Office) the Office of the Assistant Secretary for Administration and Management, and the Office of Public Affairs who made major contributions include: Gabriela Araujo, Kelly W. Bryant II, Elizabeth H. Chua, Carrie Cyphert, Howard (Ron) Dobson, Joyce Fox, Thelma Hackley, Brenda Hoffman, Angelique Larsen, Matthew P. Levin, Hung-Hung (Helen) Li, A. Michaela Meehan, Mark A. Mittelhauser, Terry M. O'Malley, Jim Park, Catalina Ruiz-Healy, Gregory K. Schoepfle, James W. Shea, Robert C. Shelburne, Shirley J. Smith, Ken Swinnerton, Karen F. Travis, Diane Ward, Robert D. Wholey, Barton S. Widom, and Bob Zachariasiewicz. In addition, Department of Labor officials received significant assistance from labor reporting officers and labor attaches in U.S. embassies and consulates abroad.

This report is published by the U.S. Department of Labor, Bureau of International Labor Affairs. Copies of this or other reports in ILAB's child labor series, may be obtained by contacting the International Child Labor Program, Bureau of International Labor Affairs, U.S. Department of Labor, Rm. S-5303, 200 Constitution Ave., NW, Washington, DC 20210. Tel: (202) 208-4843; Fax: (202) 219-4923. The reports are available on the Internet via World-Wide Web: <http://www.dol.gov/dol/ilab/public/media/reports/childnew.htm>

Other publications in ILAB's child labor series include:

1. By the Sweat and Toil of Children (Volume I): The Use of Child Labor in U.S. Manufactured and Mined Imports (1994).
2. By the Sweat and Toil of Children (Volume II): The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Child Labor (1995).
3. The Apparel Industry and Codes of Conduct: A Solution to the International Child Labor Problem? (1996) [also referred to as "By the Sweat and Toil of Children (Volume III)"].
4. Forced Labor: The Prostitution of Children (1996) [Symposium Proceedings].

Table of Contents

Executive Summary	i
I. Introduction	1
A. Overview	1
B. International Child Labor	2
C. Labels and Labor Conditions	4
1. A Short History of Labor Conditions and Labeling	4
a. Trade Union Labels	4
b. National Consumers League	7
D. Elements of a Child Labor Labeling Program	9
1. Physical Label	10
2. Claims Behind the Label	10
3. Administration of a Labeling Program	10
4. Transparency	10
5. Monitoring	11
6. Enforcement	11
E. Other Private Sector Efforts	11
F. Methodology	12
1. Public Hearing	12
2. Survey of U.S. Importers and Retailers	13
3. Field Visits	13
II. Hand-Knotted Carpets	15
A. Introduction	15
B. Industry Profile	15
C. Child Labor in the Hand-Knotted Carpet Industry	19
D. Consumer Labeling Programs in the Hand-Knotted Carpet Industry	22
1. Introduction	22
2. RUGMARK	24
a. Program Overview	24
b. Program Structure	26
c. Program Implementation	28
d. Findings from Site Visits	32
3. The Kaleen Label	35
a. Program Overview	35
b. Program Structure	36
c. Program Implementation	37
d. Findings from Site Visits	38
4. STEP Foundation for fair conditions in carpet production and carpet trade	40
a. Program Overview	40
b. Program Structure	41
c. Program Implementation	43
d. Findings from Site Visits	44

	5.	Care & Fair - Carpet Trade Against Child Labor	46
	a.	Program Overview	46
	b.	Program Structure	47
	c.	Program Implementation	48
	d.	Findings from Site Visits	49
	6.	Other Carpet Labeling Efforts	50
E.		U.S. Carpet Importers' and Retailers' Policies on Child Labor	52
	1.	Survey Results	52
	a.	Labeling Programs	53
	b.	Codes of Conduct	56
F.		Conclusion	58
III.		Leather Footwear	61
	A.	Introduction	61
	B.	Industry Profile	61
	C.	Child Labor in the Leather Footwear Industry	66
	D.	Consumer Labeling Programs in the Leather Footwear Industry	74
	1.	Introduction	74
	2.	Abrinq Foundation for Children's Rights	74
	a.	Program Overview	74
	b.	Program Structure	75
	c.	Program Implementation	77
	d.	Findings from Site Visits	78
	3.	Pro-Child Institute	79
	a.	Program Overview	79
	b.	Program Structure	80
	c.	Program Implementation	81
	d.	Findings from Site Visits	82
E.		Codes of Conduct in the Leather Footwear Industry	83
	1.	Survey Results and Information from Site Visits	84
	a.	Transparency	86
	b.	Monitoring	89
	c.	Enforcement	92
F.		Conclusion	92
IV.		Soccer Balls	95
	A.	Introduction	95
	B.	Industry Profile	96
	C.	Child Labor in the Soccer Ball Industry	99
	D.	Consumer Labeling Programs in the Soccer Ball Industry	102
	1.	Introduction	102
	2.	Reebok	103
	a.	Program Overview	103
	b.	Program Structure	104
	c.	Program Implementation	105
	3.	Baden Sports	107
	a.	Program Overview	107
	b.	Program Structure	107
	c.	Program Implementation	108

4.	Other Child Labor Consumer Labels	109
a.	Dunkin' Donuts Promotion	109
b.	Individual Company Labels.....	111
c.	Child Labor Labeled Soccer Balls Provided to Youth Soccer Leagues	113
E.	Codes of Conduct in the Soccer Ball Industry	114
1.	Partners' Agreement to Eliminate Child Labor in the Soccer Ball Industry in Pakistan	114
a.	Prevention and Monitoring Program	115
b.	Social Protection Program	116
2.	Sportsgoods Manufacturers and Exporters Association (India)	116
3.	FIFA	118
4.	Survey Results	119
F.	Conclusion	125
V.	Tea	127
A.	Introduction	127
B.	Industry Profile	128
C.	Child Labor in the Tea Industry	133
D.	Consumer Labeling Programs in the Tea Industry	140
1.	Introduction	140
2.	Fair Trade Labeling	141
a.	Program Overview	141
b.	Program Structure	144
c.	Program Implementation	145
E.	The Response of U.S. Tea Importers, Packers, and Retailers to Child Labor	148
F.	Conclusion	151
VI.	Conclusion	153
A.	Child Labor in the Production of Hand-Knotted Carpets, Leather Footwear, Soccer Balls, and Tea	154
B.	Consumer Labeling Programs	155
C.	The Physical Label	156
D.	Claims Behind the Label.....	157
E.	Administration of Labeling Programs	158
F.	Transparency	159
G.	Monitoring	160
H.	Recommendations.....	161
VII.	Appendices	
	Appendix A: List of Companies Surveyed	165
	Appendix B: Voluntary Company Questionnaire	167
	Appendix C: Codes of Conduct Provided by Companies Surveyed	169
	Appendix D: Site Visits	229
	Appendix E: ILO Convention 138	245

Executive Summary

A. Congressional Mandate

This is the fourth Congressionally-mandated report in the international child labor series of the Department of Labor's Bureau of International Labor Affairs (ILAB). It analyzes voluntary efforts, particularly labeling initiatives, to inform consumers that measures are being taken to prevent the use of child labor in the production of hand-knotted carpets, leather footwear, soccer balls and tea. The report was mandated by the Omnibus Consolidated Appropriations Act of 1997, P.L. 104-208.

B. Overview

In recent years, frequent and often unsettling media reports have made consumers in the United States and other industrialized countries more aware of the possibility that the goods they purchase could have been produced by a child under exploitative conditions. In response, several non-governmental organizations (NGOs) and corporations are communicating child labor policies to consumers through labels.

Nine consumer labeling programs addressing child labor in the hand-knotted carpet, leather footwear, soccer ball and tea industries are discussed in detail in the report. To the extent that information is available about other labels, it is also discussed. The analysis considers the following elements of labeling programs: (1) the physical label; (2) claims behind the label; (3) the administration of a labeling program; (4) transparency for the public; (5) monitoring; and (6) enforcement.

While this report focuses primarily on the emerging child labor consumer labels, it also describes other efforts initiated by businesses to develop and implement policies prohibiting child labor. In most of the industries surveyed for this report, associations of manufacturers, importers, and sometimes retailers have developed or are now developing codes of conduct. Some companies are also changing production processes to prevent child labor and more easily monitor supplier adherence to their child labor policies.

To gather information on the labeling programs and other private sector efforts to combat exploitative child labor, the Department of Labor held public hearings, contacted hundreds of interested parties, and conducted site visits to Brazil, China, India, Kenya, Mexico, Nepal, Pakistan and Tanzania. The Department of Labor also conducted a small, non-random voluntary survey of 49 U.S. importers and retailers. Although companies surveyed were chosen to represent a broad spectrum of the hand-knotted carpet, leather footwear, soccer ball and tea industries, the findings from the survey of importers and retailers cannot be generalized to firms beyond the respondents. A company or program's inclusion in this report does not constitute endorsement by the U.S. Department of Labor of any product, service, company or program.

C. Child Labor and Consumer Labeling Programs in the Production of Hand-Knotted Carpets, Leather Footwear, Soccer Balls and Tea

Little reliable information exists on the actual number of children working in a particular economic activity, and there are no reliable data on the precise level of child labor associated with the production of items covered in this report. Over the years, however, there have been numerous reports of child labor being used in the hand-knotted carpet, leather footwear, soccer ball and tea industries. Many of these reports were documented by ILAB in volumes I and II of *By the Sweat and Toil of Children*.

The research and field visits conducted for this report indicate that the majority of children who work in these four industries perform labor-intensive tasks and are found in subcontracting or smallholder operations, including homework, rather than in large factories and well organized workshops or agricultural estates. While poverty remains a common explanation given for the persistence of child labor, lack of access to quality education and inadequate law enforcement perpetuate a cycle of child labor and poverty in many countries.

1. Hand-Knotted Carpets

Child labor continues to be a problem in the hand-knotted carpet industries of India, Nepal, and Pakistan. Children are involved in almost every aspect of carpet production, including dyeing, spinning, and unraveling yarn and weaving, knotting, cutting, and washing carpets.

Nearly all hand-knotted carpets are made for export. The leading carpet exporting countries are Iran, India, China, Pakistan, Turkey, Nepal and Egypt. The United States and Germany are the world's leading importers. The United States imported \$329 million worth of hand-knotted carpets in 1996. India is the largest single source of U.S. imports of hand-knotted carpets, followed by China.

a. Consumer Labeling Programs in the Hand-Knotted Carpet Industry

The main child labor labeling programs for carpets are: (a) RUGMARK®; (b) Kaleen; (c) STEP; and (d) Care & Fair. RUGMARK® and Kaleen are product labels that are affixed to individual carpets. STEP and Care & Fair are company certification programs. Participating companies use the labels for advertising and marketing purposes, but not on individual carpets.

RUGMARK: Established in India in September 1994 and expanded to Nepal the following year, RUGMARK® is a private, voluntary certification program providing market-driven incentives for carpet manufacturers to produce without child labor. Efforts are now underway to establish RUGMARK® in Pakistan.

The principal objectives of the program are to: (1) organize individuals and companies in the carpet industry to cease the use of child labor; (2) establish an independent, professional and internationally credible monitoring and certification system for carpets manufactured without child labor; and (3) rehabilitate and educate former child carpet workers. The program is funded primarily by a combination of exporter and importer fees based on the value of the carpets. The monitoring and certification programs of the RUGMARK® initiative, although still new, are the most developed, with an extensive system of checks and balances.

The RUGMARK® label, placed on the back of each carpet, displays a carpet with a smiling face. As of June 1997, the Indian RUGMARK Foundation had certified the export of about 636,000 labeled carpets from 164 licensed producers/exporters. As of May 1997, the Nepalese program had 27 licensees and exported about 6,500 certified carpets.

In both India and Nepal, the RUGMARK® program is monitored and enforced through an elaborate system of licensee approval, random inspections and carpet tracking. During the production of each carpet, professional RUGMARK® inspectors can make unannounced visits at any time to verify no child labor is being used.

As of June 1997, the Indian RUGMARK Foundation reports having conducted a total of 22,800 inspections of 18,400 registered looms. During the course of these investigations, 1,060 children were found working illegally. As of August 1997, the Nepal RUGMARK Foundation had registered 1,868 looms and made 1,754 unannounced visits to licensees' facilities, finding 143 children illegally working at looms. RUGMARK-India operates two educational facilities for children. RUGMARK-Nepal operates three rehabilitation schools.

Kaleen: The Kaleen labeling program was established in India in June 1995 by the Carpet Export Promotion Council (CEPC), a quasi-governmental body which oversees the mandatory registration of all Indian carpet exporters and issues export licenses. The CEPC was established by the Indian Ministry of Textiles and is funded through direct grants from the Ministries of Textiles and Commerce and subscription income from industry members. As of mid-1997, the CEPC had over 2,000 exporter members.

The Kaleen labeling system is based on: (1) a commitment of the exporters towards elimination of child labor through a code of conduct; (2) registration of looms by the exporters; (3) inspection by an independent agency and punitive action against defaulters; (4) collection from all exporters of a fee for child welfare activities; and (5) periodic review by the Steering Committee headed by the Development Commissioner for Handicrafts.

The Kaleen label consists of a triangle with an inscription along the edges stating *"The Hallmark of Commitment for Child Welfare,"* and *"promoted by the Government of India, Carpet Export Promotion Council."* As of May 30, 1997, 572,000 Kaleen labels had been issued to 219 CEPC members, roughly 10 percent of total membership.

Monitoring for compliance with the CEPC code of conduct and the registration requirement consists of member self-monitoring and inspections of a small share of loom sites by a private firm. During the first year of inspections, about 100 child laborers were found. The CEPC is currently providing partial funding for twelve schools. In addition, the CEPC is considering a proposal to establish a boarding school facility for former bonded child laborers.

STEP: The STEP Foundation for fair conditions in carpet production and carpet trade, a joint initiative of the Swiss Association for a Clean Oriental Carpet Trade and five NGOs, was established in October 1995. STEP has programs in India, Nepal, and Pakistan and plans to establish the program in Iran, Morocco, Egypt and Turkey. The program promotes the progressive elimination of abusive child labor. It targets work and health conditions of all carpet workers as well as environmental concerns. STEP's administrative and social program costs are borne by European licensees.

Unlike RUGMARK® and Kaleen, the STEP program certifies companies through its label, which is displayed in retail stores but not placed on individual carpets. The label contains the word STEP superimposed on a Chinese symbol for long life. It is intended to signal that the bearer is attempting to implement STEP employment and environmental standards by importing carpets only from STEP-registered producers.

Carpet producers and exporters may participate in the STEP program through inclusion on the STEP register. Registered carpet manufacturers and their subcontractors must agree to allow regular, unannounced inspections by STEP and/or affiliated NGOs. The STEP register includes a total of 16 carpet suppliers. STEP representatives in producing countries are responsible for monitoring, outreach and social support functions. While the STEP representative in Nepal conducts regular visits to registered producers, the STEP representative in India currently does no monitoring. The program is not yet fully operational in Pakistan.

Care & Fair: Care & Fair is an association of German carpet trade professionals founded in September 1994. Care & Fair has nearly 600 members, including carpet and furniture retailers, carpet importers, and wholesalers in Germany, the United Kingdom, the Netherlands, and Luxembourg. The organization and its programs are financed by member fees.

Like the STEP program, Care & Fair is a company certification program. Its members have obligated their carpet suppliers in India and Nepal to honor the terms of Care & Fair's Statement of Demands, a code of conduct which includes eliminating child and bonded labor and contributing to health and education programs for carpet workers and their families. Members may purchase Care & Fair advertising and demonstration materials confirming their membership in the association. The Care & Fair logo, which appears on these materials, consists of a mosque-shaped design depicting two smiling children who appear to be riding on a flying carpet.

The Association does not attempt to inspect the operations of member companies or guarantee that the carpets they handle are child labor-free. It relies completely on a moral commitment, arguing that it is impossible to monitor looms spread over large areas. Care & Fair provides funding to a variety of social programs, including schools and hospitals, for carpet workers and their families.

Other Labeling Programs: The Export Promotion Bureau of the Government of Pakistan has indicated interest in establishing a labeling program to certify child labor-free manufacture of hand-knotted carpets. At the time research for this report was completed, the details of a child labor monitoring and certification system had not been worked out.

As a result of the widespread public awareness of the use of child labor in the carpet industry, it has become common for individual manufacturers, exporters, or importers to affix their own child labor-free label on their carpets without ensuring adequate monitoring procedures are in place. Such labels have been found on Indian carpets for sale by both small and large U. S. retailers.

b. U.S. Carpet Importers' and Retailers' Policies on Child Labor

Corporate policies on child labor are a relatively new phenomenon among U.S. carpet importers and retailers. In 1994, the Oriental Rug Importers Association (ORIA) developed a voluntary policy addressing child labor in the production of carpets that encourages manufacturers to "take every reasonable step to ensure, to the maximum extent possible, that the carpets are not made by illegal child labor, as defined by national law."

The Department of Labor gathered information on private sector efforts to combat child labor through a voluntary survey of 15 U.S. importers and retailers of hand-knotted carpets. Nine responses were received.

- Six respondents indicated they are either participating in a labeling program or using a code of conduct with a provision on child labor.
- The frequency and thoroughness of the monitoring procedures vary among respondents. Most monitoring consists of occasional visits to production sites by a representative of the U.S. importer.

2. Leather Footwear

Reports of child labor in the leather footwear industries of Brazil, India, Mexico, and Pakistan document children cutting, hammering, folding, gluing, marking, hand-sewing, and sanding the soles of shoes. Children tend to work in home-based enterprises where the subcontracting of shoe production is generally found.

In 1996, the United States imported 602 million pairs of leather footwear with a value of \$8.2 billion. Two-thirds of U.S. leather footwear imports came from China and Brazil. China alone accounted for about 53 percent of all leather footwear imports by quantity. U.S. production of leather footwear is rather limited.

a. Consumer Labeling Programs in the Leather Footwear Industry

The main child labor labeling programs now operating in the leather footwear industry are the Abrinq Foundation for Children's Rights and the Pro-Child Institute, both of which are based in Brazil.

Abrinq Foundation for Children's Rights: The Abrinq Foundation for Children's Rights (Abrinq) is a non-profit organization established in 1990 by members of Brazil's Association of Toy Manufacturers. Abrinq's mission is to "move and mobilize society regarding childhood matters, promoting social and entrepreneurial engagement to address child welfare issues, through political actions in defense of children's rights and through exemplary actions which may be disseminated and multiplied."

In April 1995, the Abrinq Foundation created the Child-Friendly Company Program (*Programa Empresa Amiga da Criança*) aimed at eradicating child labor and promoting child-friendly policies in a number of Brazilian industries. This program, which includes a labeling component, encourages companies to eliminate child labor and invest in projects which improve the quality of children's lives. The program is financed through a grant provided in 1995 by a private company. Of the 380 companies participating in the labeling program, approximately 40 are manufacturers of leather footwear.

Companies certified by Abrinq as "child-friendly" are allowed to use the program label, which reads: "*Child-Friendly Company – An Initiative of the Abrinq Foundation for Children's Rights.*" Child-Friendly companies may place the label on products, packaging, or a company's advertisement and promotional materials. Although a number of companies in the program export goods to the United States, there are currently no products being exported to the United States with Abrinq's Child-Friendly Company label.

The Foundation has specific eligibility criteria that companies must meet prior to joining the labeling program. These include: (1) making a formal commitment not to use child labor, as defined by Brazilian law; (2) promoting this commitment to its network of suppliers and clients; and (3) creating or supporting programs to educate and train children. In industries with a high incidence of child labor (e.g., sugar and footwear production), Abrinq consults with its network of partners, which includes labor unions, employers associations, NGOs, and public officials, before certifying a company. The Foundation does not have any formal monitoring procedures, but conducts investigations of alleged child labor violations by member companies. As part of the education and training component of the Child-Friendly Company Program, many companies provide child care services and sports/recreational facilities for after-school programs and fund professional and technical training projects.

Pro-Child Institute: The Pro-Child Institute (*Instituto Empresarial de Apoio a Formação da Criança e do Adolescente "Pro-Criança"*) is a non-profit organization founded in November 1995 by the Footwear Industry Association of Franca, the Trade and Industry Association of Franca, and the Regional Delegation of CIESP (*Centro das Indústrias do Estado de São Paulo*), a state-wide industry association. In October 1996, the Pro-Child Institute launched the "Program for the Prevention and Eradication of Child Labor in the Footwear Industry."

One of the components of this program was the development of a Pro-Child label which is placed on footwear products to indicate a company's adherence to the program's goals. The label reads: "*Pro-Child Institute – No Child Labor was Used in*

the Manufacture of this Product.” Companies participating in the program must: (1) make a formal commitment not to use child labor; (2) not sub-contract services with suppliers who use child labor; (3) encourage a no-child labor policy throughout their chain of production; (4) be a contributing member of the Pro-Child Institute; (5) adhere to the Institute’s regulations regarding the use of the label; and (6) place a no-child labor clause in contracts with other manufacturers and encourage them to also become members of the Pro-Child Institute. The Institute’s operational costs, as well as the labeling program, are financed through private-sector contributions.

As of January 1997, the Pro-Child Institute had certified 67 companies in Franca. Implementation and monitoring are carried out by the Institute’s staff. The Institute’s monitoring procedures include announced and unannounced visits to companies, regular meetings with companies, and periodic reports on the labeling program. The Pro-Child Institute has developed a series of educational and social projects for children and adolescents. These projects include a health center for adolescents, resource centers, vocational training centers, and recreational programs.

b. U.S. Leather Footwear Importers’ and Retailers’ Policies on Child Labor

There is significant use of voluntary codes of conduct or other policies prohibiting child labor among U.S. importers and retailers of leather footwear, as well as industry associations. In April 1997, the U.S. Apparel Industry Partnership, composed of leaders from the U.S. footwear and apparel industries, labor unions, and consumer, human rights, and religious groups, agreed on a workplace code of conduct.

Sixteen companies responded to a voluntary survey of 20 U.S. producers, importers, design/marketing firms, and retailers of leather footwear products. None of the survey respondents participate in a labeling program or import footwear labeled as child labor-free. All companies responding to the survey have developed and implemented a corporate policy prohibiting the use of child labor in the manufacture of their products.

- Foreign manufacturers’ awareness of U.S. footwear importers’ corporate policies on child labor varies from country to country. In Brazil, small leather footwear companies were not aware of the child labor policies of U.S. importers. Although awareness was limited among large companies interviewed, most of these companies were participating in a child labor-free labeling program. Awareness was mixed in China and India, while in Mexico, nearly all of the footwear producers interviewed were unfamiliar with the codes of conduct of their U.S. importers.
- Monitoring procedures used to oversee the implementation of the codes of conduct also differ among the survey respondents. Four respondents indicated that they conduct pre-screening inspections to ensure foreign suppliers have the capacity to implement their codes of conduct. All respondents indicated they monitor overseas facilities for compliance with their corporate policies.

- Most survey respondents indicated that willful non-compliance with the company's policy may result in canceled orders or termination of the business relationship. Only a few respondents said they had found violations of their codes of conduct. Two stated they have handled child labor problems by changing their methods of production to reduce or completely eliminate subcontracting.

3. Soccer Balls

The use of child labor in the production of hand-stitched soccer balls has been documented primarily in Pakistan and India. The hand-stitching of soccer balls in Pakistan is decentralized in homes and small village workshops, where adults and children commonly work side by side. Working arrangements in India are very similar.

In recent years, soccer has become increasingly popular in the United States. Strong growth in the volume of U.S. imports of soccer balls reflects this trend. In 1996, some 75 percent of those imports came from Pakistan, where most balls are produced around the city of Sialkot. Soccer balls are not produced in the United States.

a. Consumer Labeling Programs in the Soccer Ball Industry

Adverse publicity in the United States and Europe regarding Indian and Pakistani children stitching soccer balls prompted some U.S. importers to adopt labels informing consumers that their products have been produced in a child labor-free environment. In some cases, these programs are accompanied by changes in production processes to prevent the employment of children.

Reebok: In 1992, Reebok International Ltd. (Reebok) issued a code of conduct prohibiting the use of child labor in the manufacture of Reebok products. Recognizing the high incidence of child workers in the Pakistani soccer ball industry, Reebok recently built a soccer ball manufacturing plant in Sialkot where all production, including stitching, is centralized.

Soccer balls produced for Reebok in Sialkot bear the following label: "*Guarantee: Manufactured without child labor.*" The three major elements of Reebok's program are: (1) containment of all production in the new facility, in which all work on Reebok balls is performed by workers age 15 or older; (2) external monitoring to ensure that children are not entering the workplace and soccer ball panels are not leaving the factory for stitching; and (3) support of education and/or vocational education training for children in the Sialkot region.

Reebok has hired three independent monitors to check the effectiveness of the program. Two monitors inspect the factory, interview workers, maintain ties to the local community, and visit surrounding villages to ensure no Reebok balls are stitched outside the factory. The third monitor was hired to audit factory records. In addition to the new factory and monitoring program, Reebok is planning an educational project in Sialkot.

Baden Sports: In 1997, Baden Sports eliminated most hand-stitching of its soccer balls when it began importing machine-stitched soccer balls from a manufacturer in China. Soccer balls imported by Baden from China bear the label: *“Certified: No Child or Slave Labor Used on This Ball.”* Baden requires written certification from the manufacturer that child labor is not used in the manufacture of Baden products and maintains access to personnel records at the factory. A Baden representative monitors the manufacturing facility to check for quality, design, and child labor.

Other Labeling Programs: Research conducted for this report identified seven other labels stating soccer balls were not made by children. Only one of the labeling programs, sponsored by Dunkin’ Donuts, has a monitoring and certification component. The other programs base their child labor-free claim on their participation in the Partner’s Agreement to Eliminate Child Labor in the Soccer Ball Industry in Pakistan. This agreement, signed in February 1997 by representatives of the Sialkot Chamber of Commerce and Industry, the International Labor Organization (ILO), and UNICEF, aims to eliminate child labor in soccer production in the Sialkot area. The Agreement’s prevention and monitoring program is not yet fully operational.

b. U.S. Soccer Ball Importers’ and Retailers’ Policies on Child Labor

Voluntary codes of conduct prohibiting child labor are also becoming more common in the soccer ball industry. Such codes have been adopted by soccer organizations, sporting goods manufacturers, importers, and retailers of soccer balls. In September 1996, the International Federation of Football Associations (FIFA) announced an agreement with three international unions on a Code of Labor Practice, including a ban on child labor, for all goods bearing its logo. However, the FIFA Code of Labor Practice has not been embraced by soccer ball manufacturers or importers.

Some U.S. importers and retailers of soccer balls have issued their own codes of conduct prohibiting the use of child labor. Nine companies responded to a voluntary survey of seven U.S. importers and 3 retailers of soccer balls.

- Seven of the nine companies responding to the survey have adopted some type of written policy prohibiting the use of child labor. In cases where the company purchases and/or sells numerous products, the code applies to all the products, not just soccer balls.
- All seven importers have endorsed the Partners’ Agreement in addition to issuing their own individual corporate policies against child labor.
- Only three respondents — all importers — indicated that they communicate their no child labor policy directly to consumers. The remaining importers and retailers either have no method to inform consumers of their policy or have suppliers that inform consumers through a label.
- Seven respondents — all importers — send company staff, buyer agents or other parties to inspect facilities to verify that suppliers are actually implementing their code of conduct.

4. Tea

Child labor is no longer common on large commercial estates in Brazil, India, Kenya, Nepal, and Tanzania, but may be more pervasive in the smallholder sector in these and other countries. In some cases, smallholder producers sell their output to nearby estates through outsourcing arrangements. Most allegations of child labor in the tea industry involve the labor-intensive functions of plucking, weeding, hoeing, and nursery work.

With the obvious exception of water, tea is the most widely consumed beverage in the world. World production is largely concentrated in a few countries. In 1995, India, China, Sri Lanka, Kenya, Indonesia, and Argentina accounted for over 75 percent of world production. U.S. tea imports in 1996 were valued at \$132.1 million. Only a small amount of tea is grown commercially in the United States, on a plantation in South Carolina.

a. Consumer Labeling Programs in the Tea Industry

In the tea industry, child labor labeling appears to be limited to fair trade labeling organizations. These programs originated in Europe and today are found in a number of tea consuming countries, including the United States. Fair trade labels inform consumers that products have been produced and traded under certain conditions.

The basic criteria used by fair trade labeling organizations are the following: (1) the payment of a fair price, which covers production costs plus a fair trade premium that flows to the actual producers; (2) participation by the actual producers in decisions regarding use of the fair trade premium; (3) provisions for advance payment or credit so that producers do not go into debt before sales can be realized; and (4) the promotion of longer term trading relationships so producers can plan for the future with some security. In addition, the commercial plantations producing fair trade tea are prohibited from employing children under the age of 14.

Tea importers and retailers pay a licensing fee for the use of a fair trade label and the services associated with it, such as promotion, marketing, and monitoring. Licensees place fair trade labels directly on tea boxes, individual tea bags, and/or tags.

The fair trade labels (including Max Havelaar, TRANSFAIR, and the FairTrade Mark) consist of a logo and an explanation of fair trade labeling but contain no specific written claims regarding child labor. Licensees can purchase labeled tea from any producer included on the international tea producer register, which is a list of approved sources. Producers must agree to give monitors free access to their estates and make available any records that might be required in order to verify information provided.

b. U.S. Tea Importers', Packers', and Retailers' Policies on Child Labor

Codes of conduct are not common in the U.S. tea industry. The Tea Association of the U.S.A., whose members account for approximately 80 percent of the U.S. tea trade, has stated that in both major and small tea producing countries, prohibitions against child labor are spelled out in national laws or voluntary industry standards. The Tea Association has indicated that member companies will "encourage all the tea producing countries to require strict adherence to all ILO standards and/or all applicable local labor legislation."

In an effort to assess the extent to which companies in the U.S. tea industry have responded to concerns about child labor through implementation of codes of conduct or other formal policies, the Department of Labor conducted a voluntary survey of 10 U.S.-based importers, packers, and retailers of tea.

The five U.S. tea importers, packers, and retailers that returned reportable survey responses to the Department of Labor were generally unaware of the use of child labor in overseas tea estates. Some companies reported they had never perceived child labor to be an issue in the industry and had never observed children working on tea plantations. None of the five companies returning reportable responses participates in a labeling system or has a code of conduct or formal policy prohibiting the use of child labor.

D. Conclusions and Recommendations

The labeling programs described in this report are relatively new. Most are barely getting under way after an initial period of organization, and some are not being used on products sold to U.S. consumers. Because the child labor labeling programs are recent, and definitive data on costs and benefits as well as consumer demand are not available, this report has not attempted to make quantitative assessments of their effectiveness.

The labels vary significantly in meaning and scope. While some labels are meant to provide assurances that goods have not been made by children, others solely signify that the producers, importers, or exporters of goods are contributing to social programs for workers and their families. The monitoring mechanisms employed by the various programs vary from rigorous monitoring and inspection by external entities to no monitoring at all.

Credibility in the eyes of the consumer is an issue of paramount importance for labeling programs. One way credibility can be maintained is through monitoring of production facilities, including those of subcontractors. Child labor in hand-knotted carpets, leather footwear, soccer balls and tea is most often associated with production by households, small workshops and smallholder plantations. Unless there is a monitoring program that addresses production by these units, child labor-free claims cannot be guaranteed.

In addition to the nine labeling programs examined in detail, this report has also briefly described labeling programs operated by individual companies. These are primarily in the carpet and soccer ball industries, where such labels are becoming increasingly common. While these labels may indicate a product is child labor-free, no information is provided to consumers on whether these claims are backed up with adequate monitoring. Some importers and retailers selling labeled soccer balls, for instance, do not have a mechanism in place to confirm the veracity of the claims made by the producers and rely on membership of their Pakistani manufacturers in the Partners' Agreement. Since the internal and external monitoring programs of the Partners' Agreement are not yet fully operational, it is still premature for balls being produced in Pakistan to be labeled as child labor-free based solely on this Agreement.

The Department of Labor believes that labeling programs can be an effective, market-based response to consumers who do not want to support the exploitation of children in the production of goods for export.

Labeling programs can have several positive effects. In addition to satisfying consumer interest for labeled products, labeling programs can encourage a consensus among industry groups, NGOs, international organizations, and governments to combat child labor. Second, many labeling programs raise funds for educational and rehabilitation programs for former child workers. Finally, labeling programs can have an impact on reducing child labor in targeted industries, especially when these programs contain effective and transparent monitoring and enforcement procedures.

To increase the effectiveness of voluntary labeling programs to eliminate child labor, the U.S. Department of Labor recommends that U.S. companies consider whether some additional voluntary steps might be appropriate:

1. U.S. importers and retailers should consider further support for labeling efforts that inform consumers that a product is made without the use of child labor.

Labels can convey valuable information to consumers seeking child labor-free products. U.S. importers and retailers who have not implemented a labeling initiative should consider the benefits that labels may offer not only to consumers but to their own corporate image. By implementing a labeling initiative, U.S. importers and retailers may also benefit from an increase in consumer confidence.

2. U.S. importers, retailers, and administrators of labeling programs should consider working to increase the availability of labeled products in U.S. retail outlets.

Products labeled as child labor-free are not widely available in the United States. U.S. importers and retailers should consider taking steps to increase the number and variety of labeled products that are available so that consumers can exercise the option of purchasing labeled goods. Program administrators should consider increasing efforts to inform importers, retailers, and consumers about their labels.

3. Administrators of labeling programs should consider how to ensure that the claims they make about child labor are backed up with appropriate monitoring.

The integrity of a child labor-free label is best maintained through effective monitoring procedures. Some importers, particularly of hand-knotted carpets and soccer balls, appear to be placing their own child labor-free labels on products without first ensuring that adequate monitoring systems are in place to substantiate such a claim. If exploitative child labor is discovered in the facilities where such products are made, the use of such labels could result in a loss of credibility and consumer confidence.

4. Administrators of labeling programs should consider further steps to ensure that monitoring procedures cover sub-contracting arrangements.

Child labor is most often found in sub-contracting or outsourcing arrangements, including production by households, small workshops and smallholder plantations. If monitoring procedures do not cover these units, child labor-free claims may be misleading.

5. All parties should consider whether there would be additional benefits in adopting more standardized child labor labels.

Many existing child labor labels consist of a logo with little if any text explaining their significance. This makes it difficult for consumers to discern whether a labeled product is child labor-free. Furthermore, the existence of several labels for the same product, each potentially making different claims, may add to consumer confusion. It may be worthwhile for interested parties to consider the creation of a mechanism to standardize labels for similar products. Such a mechanism could support the development of generally accepted labeling and monitoring standards.

I. Introduction

A. Overview

This report is the fourth in the international child labor series of the Department of Labor's Bureau of International Labor Affairs (ILAB).¹ ILAB's first two reports documented the use of child labor in the production of U.S. imports, as well as situations of forced and bonded child labor. The third report focused on the use of child labor in the production of apparel for the U.S. market and reviewed the extent to which U.S. apparel importers had established and were implementing codes of conduct or other business guidelines prohibiting the use of child labor in the production of the clothes they sold. The present report analyzes voluntary labeling initiatives to inform consumers that measures are being taken to prevent the use of child labor.

Frequent and often unsettling media reports have made consumers in the United States and other industrialized countries aware that the goods they purchase could have been produced by a child under exploitative conditions. One way for a manufacturer or retailer to convey to consumers that a product is made under humane working conditions is through a label.² Recent surveys have shown that consumers are interested in product labels indicating fair working conditions³ and are willing to pay a slight premium to purchase such products.⁴

¹ These reports have been requested by the Appropriations Committees of the United States Congress. See Omnibus Consolidated Appropriations Act of 1997, P.L. 104-208 (September 30, 1996); S. Rpt. 104-368, Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Bill, 1997. ILAB's first three reports are: *By the Sweat and Toil of Children (Volume I): The Use of Child Labor in U.S. Manufacturing and Mining Imports* (1994) [hereinafter *By the Sweat and Toil of Children*, vol. I]; *By the Sweat and Toil of Children (Volume II): The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Labor* (1995) [hereinafter *By the Sweat and Toil of Children*, vol. II]; and *The Apparel Industry and Codes of Conduct: A Solution to the International Child Labor Problem?* (1996) [hereinafter *The Apparel Industry*]. In addition, in March 1996, ILAB published *Forced Labor: The Prostitution of Children*, the proceedings of a symposium held at the Department of Labor in September 1995 on the commercial sexual exploitation of children.

² See Richard B. Freeman, "A Hard-Headed Look at Labor Standards," in *International Labor Standards and Global Economic Integration: Proceedings of a Symposium* (Washington, DC: U.S. Department of Labor Bureau of International Labor Affairs, July 1994) [hereinafter "A Hard-Headed Look at Labor Standards"]; Dani Rodrik, "Labor Standards in International Trade: Do they Matter and What Do We Do About Them," in *Emerging Agenda for Global Trade: High Stakes to Developing Countries* (Washington, DC: Overseas Development Council, 1996).

³ For example, a July 1996 consumer survey found that 64 percent of respondents would like to have a label on jeans indicating that they were made by socially responsible manufacturers. See Dr. Marsha A. Dickson, *Socially Responsible Consumer Behavior in the Apparel Marketing System: Preliminary Findings from a Survey* (Ohio State University, Department of Consumer and Textile Sciences, July 18, 1996). Another survey found that four out of five respondents would avoid shopping at stores if they were aware that the goods sold were made in sweatshops. *Garment Workers Study* (Marymount University, Center for Ethical Concerns, November 1996) [hereinafter *Garment Workers Study*]. See also Janet Hilowitz, *Labelling Child Labour Products: a Preliminary Study* (Geneva: International Labour Organization, 1997) 14 [hereinafter *ILO Labeling Report*].

⁴ According to 1995 and 1996 Marymount University surveys, 84 percent of respondents would pay up to an extra \$1 on a \$20 garment if it were guaranteed to be made in a legitimate shop. *Garment Workers Study*; "New Study Finds Americans Intolerant of Sweatshops in the Garment Industry," Marymount University News Release, November 17, 1995. See also ILO Labeling Report noting consumer willingness to bear a slightly higher retail cost of a "socially" labeled product. The ILO labeling study also notes that certain agricultural products labeled as "fairly traded" have 4 percent of the market share in some European countries; this share continues to grow at a "respectable rate" annually.

In response to increased attention paid to the child labor issue, several non-governmental organizations (NGOs) and corporations are communicating child labor policies to consumers. Oftentimes, this takes the form of a descriptive label or logo⁵ that states or implies that: 1) a product was not made by children; 2) the program/company aspires to a no child labor policy; and/or 3) the program/company supports rehabilitation and education programs for child workers. Although the labels themselves differ in the degree to which they actually offer a “child labor free” guarantee, consumers may receive a similar message: “buying this product will not contribute to the exploitation of child labor.”

For some companies, the use of a label might enhance their market share by enticing the consumer to purchase their “no child labor” product instead of that of an unlabeled competitor. For NGOs, a labeling program may be a way to create additional disincentives for the use of child labor in certain industries and countries. For the consumer, choosing to purchase a product with a label provides a sense of assurance of not being complicit in exploitative labor practices.

This report focuses on consumer labeling — a relatively new, creative, and increasingly popular method of informing the buying public that a particular product is made without child labor. However, consumer labels are just one of many tools that can eliminate the exploitation of children in the workplace. Clearly, the elimination of child labor will still require a larger, more comprehensive set of programs and government policies including effective law enforcement, adequate primary and secondary education programs, and other poverty alleviation programs for child workers and their families. Used in this larger context, labeling programs can be an important tool in the fight against child labor.

This report reviews the development and use of consumer labeling programs in the hand-knotted carpet, leather footwear, soccer ball and tea industries. Chapters II through V first present an overview of each industry and U.S. imports. They then discuss the extent of child labor in that industry, based in part on information gathered by Department of Labor officials who visited eight countries in the preparation of this report. The chapters next identify, describe and assess the labeling programs and some other mechanisms aimed at addressing the child labor problem.

B. International Child Labor

The International Labor Organization (ILO) establishes and supervises the application of international labor standards — including child labor standards.

Under ILO Convention 138 on the Minimum Age for Employment, adopted in 1973, the term “child labor” generally refers to any economic activity performed by a person under the age of 15. Of course, not all work performed by children is detrimental or exploitative. Child labor does not usually refer to performing light work after school or legitimate apprenticeship opportunities. Nor does it refer to

⁵ For purposes of this report, the terms “label” or “logo” may be used interchangeably.

young people helping out in a family business or on a family farm.⁶ Rather, the “child labor” of concern is generally employment that prevents effective school attendance, and which is often performed under conditions hazardous to the physical and mental health of the child.

ILO Convention 138 also sets a standard which permits countries whose economy and educational facilities are insufficiently developed to initially specify a minimum age of 14 years (rather than 15 years), and reduce from 13 years to 12 years the minimum age for light work.⁷ Convention 138 defines “light work” as work that is not likely to harm children’s health or development, or prejudice their attendance at school. Convention 138 also prohibits any child under the age of 18 from undertaking hazardous work — that is, work that is likely to jeopardize his or her health, safety or morals.

Partly due to the recent focus on exploitative child labor, there have been discussions about more clearly defining what constitutes intolerable child labor that clearly violates the human rights of a child and for which a strong international consensus exists for immediate abolition.⁸ The ILO has begun work to draft a new standard on the abolition of intolerable child labor for adoption by 1999.

Meanwhile, the ILO’s International Programme on the Elimination of Child Labor (IPEC), established in 1992 to assist countries in the phased elimination of child labor, already categorizes certain forms of child labor as intolerable: children working under forced labor conditions and in bondage; children in hazardous working conditions and occupations; and very young working children (under 12 years of age).⁹

Whether child labor is defined by age or work conditions, no reliable information exists on the actual number of children working throughout the world. Most available data only cover economic activity of children between the ages of 10 and 14. Nevertheless, the ILO estimates that there are at least 250 million workers between the ages of 5 and 14 in developing countries; at least 120 million are working full-time.¹⁰ The number of child workers under 10 is thought to be significant — in the millions.¹¹ According to the ILO, the number of child workers worldwide may be in the “hundreds of millions.”¹²

⁶ The child labor standard does apply to “plantations and other agricultural undertakings mainly producing for commercial purposes, but excluding family and small-scale holdings producing for local consumption and not regularly employing hired workers.” ILO Convention No. 138, in *International Labour Conventions and Recommendations, 1919-1991*, vol. II (Geneva: International Labor Organization, 1992) 1032. See Appendix E for the full text of ILO Convention 138 on Minimum Age for Employment.

⁷ See *Child Labour: What is to be done?* (Geneva: International Labor Organization, June 12, 1996) 27. The minimum age standard is largely unchanged from the earliest ILO child labor conventions in 1919.

⁸ See *Child Labour: Targeting the Intolerable* (Geneva: International Labor Organization, 1996) [hereinafter Targeting the Intolerable]; *Trade, Employment and Labour Standards: A study of core workers’ rights and international trade* (Paris: Organization for Economic Cooperation and Development, May 14, 1996) 19-21.

⁹ *International Programme on the Elimination of Child Labor (IPEC) Brochure* (Geneva: International Labor Organization, 1996).

¹⁰ Targeting the Intolerable at 7.

¹¹ *Child Labour Today: Facts and Figures* (Geneva: International Labor Organization, ILO/CLK/1, June 10, 1996) 1 [hereinafter Child Labour Today: Facts and Figures].

¹² Child Labour Today: Facts and Figures. The ILO is currently working to develop better statistical information on child labor. Experimental statistical surveys have been carried out by the ILO in Ghana, India, Indonesia and Senegal. See *Child Labor Surveys, Results of Methodological Experiments in Four Countries 1992-93* (Geneva: International Labor Organization, 1996). The ILO’s IPEC program has completed national child labor surveys in other countries such as Cambodia, Indonesia, Nepal, Pakistan, the Philippines and Turkey.

C. Labels and Labor Conditions

The purpose of any product label or marketing logo is to convey information to the consumer. Labeling may also serve as: 1) an independent evaluation and endorsement of a product; 2) a consumer protection tool; and 3) a method of achieving specific economic or social policy goals.¹³ A product's brand name, care instructions, weight, content, nutritional value, and/or associated health risks may all appear on its label.¹⁴

Labeling for labor conditions, including child labor, has the potential to allow the consumer to purchase a product without the uncertainty that it may have been produced under unacceptable conditions. Placing a label describing labor conditions on a product allows consumers to penalize or reward the practices of various companies.¹⁵ Firms that publicly promote their adherence to fair labor practices can gain a larger share of the market if they can convince consumers to buy their product and shun their competitors'.

The success of a label rests on a number of factors, such as the level of consumer demand and the ability to conduct widespread consumer education campaigns that link the label with a certain message. Success also hinges on the integrity of the label, or the degree to which the consumer believes the promises implied or stated by the label are credible. A label's integrity may be enhanced if it is certified by an entity independent of the producer. (See Box I-1 for further discussion.)

1. A Short History of Labor Conditions and Labeling

The labeling of products made under satisfactory working conditions — including no child labor — is not without precedent, and actually has its origins in the nineteenth century United States. This section provides a short history of such labeling initiatives.

a. Trade Union Labels

The trade union label appears to be wholly of American origin.¹⁶ The first use of a trade union label has been traced back to 1869 by the Carpenter's Eight-hour League of San Francisco. The League furnished a stamp to all lumber mills that ran

¹³ *Status Report on the Use of Environmental Labels Worldwide* (Washington, DC: Environmental Protection Agency, 1993) 9. See also ILO Labeling Report at 3.

¹⁴ In the United States, a number of labels are mandated by statute, such as country of origin for imports, the labeling of tobacco products and alcoholic beverages with respect to health, and nutritional labeling for packaged foods. There is now legislation pending in the U.S. Congress that would establish a "Child Labor Commission" and require the Secretary of Labor to issue regulations governing the use of child labor-free product labels. See "Child Labor Free Consumer Information Act of 1997," S. 554 (105th Congress, 1st Session) introduced on April 10, 1997. Senator Tom Harkin (D-IA) and Representative George Miller (D-CA) are the sponsors of the legislation.

¹⁵ "A Hard-Headed Look at Labor Standards" at 28.

¹⁶ John Graham Brooks, "The Trade Union Label," *Bulletin of the Department of Labor* 15 (March, 1898) 197. Brooks also observes that while there was some interest in the union label in Canada, there was little interest in it elsewhere.

The Economics of Labeling

In a paper delivered at a conference sponsored by the Department of Labor in 1994, Professor Richard Freeman of Harvard University identified labeling as an appealing method to reduce child labor. He suggested that consumers consider how goods are made when deciding whether or not to buy them. Everything else being equal, Freeman concluded that consumers rate goods produced without child labor as superior to goods made by children. Logically then, child-labor-free goods should enjoy higher market share and fetch higher prices in the market place. The market, therefore, would reward producers who do not employ children, and punish those that do. Labeling would convey the necessary information to consumers to help them buy child-labor-free goods.

Since Freeman proposed this theory, most of the discussion about labeling programs has centered on whether it is an appropriate method to end child labor. In its 1996 report "Trade, Employment, and Labour Standards" the Organization for Economic Cooperation and Development (OECD) reviewed the arguments that suggest labeling programs promote the observance of labor standards, including not using child labor. The report noted that the public's support of labor standards is not only a matter of whether or not to purchase a particular item. Rather, this support also reflects a shared, broadly-held, social ethic that it is acceptable to charge more and pay more for a product because it is not made by children.

The weakness in this social view is that individuals may reason that their own small contributions to this socially responsible process would be insignificant relative to the overall market. Therefore, an individual consumer or even a low-volume manufacturer may conclude that purchasing or producing a small amount of child-labor-free goods will have little or no impact on the overall situation. If numerous individuals and producers employ this logic, the cumulative effect will be that a large number of individuals decide that their efforts are not important. The effect of a labeling program may be limited, therefore, by the decision of individuals to "free ride" on the conscientious efforts of others.

There are also concerns about the costs of a labeling program. In 1996, Professor Dani Rodrik of Harvard University listed specific factors determining labeling costs. These include the cost of monitoring firms to ensure that they do not exaggerate their child-labor-free practices; whether the labels specify the non-use of child labor or only "exploitative" child labor; and the inclusion of information about the observance of other labor standards and production practices.

Even these limitations do not effectively argue against the efficacy of a labeling program. Rather, as Professor Freeman pointed out, they emphasize that labeling should be used in conjunction with a coordinated strategy to help child workers. Freeman suggests that such a strategy should provide that part of the higher price for child-labor-free goods be used to finance education and training programs.

on an eight-hour schedule so that their work could be differentiated from those mills operating on a ten-hour schedule.¹⁷

A less admirable example was the Cigar Makers' Association of the Pacific Coast, which in 1874 placed a white label on cigar boxes to inform consumers they were patronizing white labor.¹⁸ This was done in response to the growing use of low-wage, Chinese immigrant labor.

In 1875, a cigar makers' union in St. Louis tried to encourage consumers to buy union-made cigars by using a red label.¹⁹ During this period, the cigar makers' unions were not only facing competition from low-wage, Chinese immigrant labor, but also from cigars made in prisons and tenement houses. More systematic use of the label was encouraged to strengthen the union's cause against such competition.²⁰ At that time, tenement houses, which combined living and work areas, were prevalent in many of the larger U.S. cities (especially in New York City) where rents were extremely high. The tenement houses were known for their lack of cleanliness and use of immigrant and child workers. In addition to cigar making, tenement house production, which often involved the entire family, included garments, feather and fur goods, artificial flowers, and bakery goods. As a result of the success of local union labels adopted by cigar makers in San Francisco and St. Louis, in 1880 the Cigar Makers' International Union adopted a standard blue label for the use of all its members.

Labels were also adopted by other associations and trade unions, such as the United Hatters of North America (1885), Knights of Labor²¹ (1884), and United Garment Workers of America (1891). Before the turn of the century, the union label had been taken up by printers, bakers, wood workers, harness makers, iron molders, broom makers, coopers, photographers, shoemakers, custom tailors, mattress makers, horseshoers, brewers, egg inspectors, barbers, and coal distributors.

¹⁷ Ernest R. Spedden, "The Trade-Union Label," *Johns Hopkins University Studies in History and Political Science*, no. 2 (1910) 10 [hereinafter Spedden].

¹⁸ Spedden at 10. The San Francisco union continued to use the white label until 1884, when it was replaced by the label of the Cigar Makers' International Union. Spedden at 12.

¹⁹ The union also printed a circular to encourage the public to buy their cigars and purchase only those bearing the union label. In addition, the label was not to be used on cigars made in tenement houses or penitentiaries. Spedden at 13-14.

²⁰ Spedden at 14-15.

²¹ The Order of the Knights of Labor was an early national labor organization founded by a Philadelphia tailor, Uriah Stephens, in 1869. The Order believed that the power exercised by workers as consumers, if they could be united, would be far greater than just as employees. In 1884, the Order adopted a white label which bore the legend that the goods had not been made by convict, contract, or slave labor. The label was used by a variety of associations affiliated with the Order, including cigar, shoe, garment, button, bakery goods makers. The Order, which advocated the legal prohibition of child labor, gained some prominence in the 1870s and 1880s under the leadership of Terence Powderly, but eventually waned with the rise of the Federation of Organized Trades and Labor Unions led by Samuel Gompers.

In general, the union label was used to promote better working standards and to guard against the use of tenement-house, sweatshop,²² and prison labor. Some early labels also attempted to convey guarantees about the workmanship, quality, or healthfulness of the product. But primarily, the union label stood for better pay and improved work conditions, though, depending upon the strength of the union, these objectives were not always realized.

b. National Consumers League

Founded in 1899, the National Consumers League (NCL) is the oldest national consumer organization in the United States.²³ The NCL's objectives are to improve industrial life by eliminating child labor, reducing excessive hours of work, and increasing wages and improving other working conditions. To realize these objectives, the NCL seeks to increase public awareness of the need to raise industrial standards.

The New York City League, a forerunner of the NCL, had its beginnings in 1889-90 when Alice Woodbridge, secretary of the Working Women's Society, reported on the results of her survey of working conditions in New York City department stores. Her report found people working excessive hours for low wages under unsanitary conditions. She also reported finding, "numbers of children under-age employed excessive hours, and at work far beyond their strength."²⁴ As a result of the attention received by the report, a committee was formed to help the Society make a list that would inform shoppers about the working conditions in retail stores.

Subsequently, the New York City League prepared a "White List" of retail establishments that met basic working standards. The List was intended to appeal to women and influence their buying habits as a way to improve the working conditions of store employees, most of whom were also women. The standards were based upon "Standards for a Fair House" drafted by the Working Women's Society and modified by the League after consulting with firms with a reputation for treating their employees fairly. The standards stated, in part:

²² "The term sweatshop then was peculiar to the clothing industry; manufacturers often sent out sewing to be done in an employee's home or in a subcontractor's loft or basement. The wages were low, the hours long, and the conditions of work frightful: a small, dark, dirty room crowded with women and children, all trying desperately to earn enough to survive." George Martin, *Madam Secretary Frances Perkins: A Biography of America's First Woman Cabinet Member* (Boston: Houghton Mifflin Company, 1976) 52. A more current definition of a sweatshop is "An employer that violates more than one federal or state labor law governing minimum wage and overtime, child labor, industrial homework, occupational safety and health, workers compensation or industry regulations." See *Garment Industry: Efforts to Address the Prevalence and Conditions of Sweatshops*, Letter Report, GAO/HEHS-95-29 (Washington, DC: U.S. General Accounting Office, November 2, 1994).

²³ National Consumers Committee for Research and Education, *Consumer Activists: They Make a Difference; A History of Consumer Action Related by Leaders in the Consumer Movement* (New York: National Consumers Committee for Research and Education, 1982) 344 [hereinafter NCCRE Report]. The predecessors of the National Consumers League included the Consumers League of New York City and other local leagues formed in the 1890s in Boston, Philadelphia, and Chicago.

²⁴ Cited in Maud Nathan, *The Story of an Epoch-Making Movement* (Garden City, New York: Doubleday, Page & Company, 1926) 129 [hereinafter Nathan].

A fair house is one in which humane and considerate behaviour toward employees is the rule; In which fidelity and length of service meet the consideration which is their due; In which no children under fourteen years of age are employed.²⁵

As part of the League's public education campaign, the White List was published in local newspapers.²⁶ Following publication of the White List, the New York City Consumers League, in 1898, developed a White Label, adopted by the NCL the following year, for women's underwear not made under sweatshop conditions, and without workers under 16 years of age.²⁷ In this way, the shopping public could distinguish these labeled goods from those made under conditions which could not be endorsed by the League. It was found that seventeen out of twenty-two manufacturers interviewed were willing to use a Consumers' League label, if a demand for it were created.²⁸

After the first year of the label's use, manufacturers of corsets, sheets and pillow cases, curtains, shirt and stocking supporters, shirt waists, and children's wash dresses asked the League to be permitted to sign contracts with them to use the label. After a positive inspection by the League, the White Label was issued upon the signing of a formal agreement between the National Consumers League and the manufacturer. The agreement stated the League's purpose of "promoting intelligent and effective cooperation among the purchasers in demanding goods made under the right conditions in preference to the Sweat Shop product" and specified the form and content of the label, reproduced below:



The agreement contained conditions the manufacturer agreed to abide by (e.g., "That no girl under the age of sixteen years shall be employed, or permitted or suffered to work on such premises.") and stipulated conditions on the label's use, application, duplication, and withdrawal from use (e.g., if revoked by the League for

²⁵ Id. at 27.

²⁶ Id. at 46.

²⁷ In 1907, nine years after the White Label came into use, the problem of child labor in the garment industry persisted. A reporter described it this way: "In the rush times of the year, preparing for the changes of seasons or for the great 'white sales,' there are no idle fingers in the sweatshops. A little child of 'seven times one' can be very useful in threading needles, in cutting the loose threads left on, or for any stitch broken by the little bungling fingers. The light is not good, but baby eyes must 'look sharp.' In New York City alone, 60,000 children are shut up in the home sweatshops. This is a conservative estimate, based upon a recent investigation of the Lower East side of Manhattan Island, south of 14th Street and east of the Bowery. Many of this immense host will never sit on a school bench." Edwin Markham, "Labor Force: Children," from *Cosmopolitan Magazine* (January 1907), reprinted in *Out of the Sweatshop: the Struggle for Industrial Democracy*, Leon Stein, ed., (New York: The New York Times Book Company, 1977) 24.

²⁸ Nathan at 67.

not complying with the conditions of the contract, the collection of liquidation damages to enjoin the further use of the label by the manufacturer).

Eventually a variety of garments bore the label. Factories using the label were located in Maine, Massachusetts, Michigan, New York, Pennsylvania, and Rhode Island. National Consumers League representatives visited the facilities each year to ascertain that they maintained the required standards. The rapid positive response to the White Label matched that of the White List. By 1914, the League's list of firms using the White Label had grown to 68.

In 1918, the League decided to discontinue the White Label since by then legislation in many states had secured standards even higher than the label requirements. The League then focused attention on national legislative reforms to improve working conditions, including a ban on child labor.

D. Elements of a Child Labor Labeling Program

Used in the early 1900's to promote humane working conditions or to fight child labor, labels have once again, at the end of the century, been reintroduced. Research underlying this report has identified consumer labeling programs addressing child labor in the hand-knotted carpet, leather footwear, soccer ball and tea industries. Nine of those programs are described in detail in this report. To the extent that information is available about other labels, it is noted in the individual industry chapters.

Conceptually, all of the current consumer labeling programs have certain common elements. They include: (1) a physical label; (2) claims behind the label; (3) the administration of a labeling program; (4) transparency to the public; (5) monitoring; and (6) enforcement.

While the labeling programs have certain common elements, they also have differences. First, some of the programs are established and implemented solely by the producers of the items. Other programs are operated by entities independent of industry. Still others are managed by partnerships of industry and non-industry actors. In a few cases, programs are managed by a quasi-governmental body, such as an export promotion council, established jointly by government and industry representatives.

Second, the use of the label or logo differs from product to product and program to program. The labels described in this report may be found on a product, on a store window or in a store display, on company letterhead, or as part of a company advertising campaign. Although the placement of the label differs, a common feature of the programs is an attempt to inform the consumer about child labor.

Third, the labels themselves convey differing information about the program. Some labels are representative (such as a logo or symbol) and say nothing directly about child labor. Others include some text regarding children or child welfare. Only some labels state "child labor-free" while others indirectly convey that message through pictures of smiling children.

This report uses the following elements to assess each of the labeling programs. More detailed descriptions and discussion of these elements, as well as the operation of each of the child labor labels applicable to hand-knotted carpets, leather footwear, soccer balls and tea, are discussed in Chapters II through V.

1. Physical Label

The programs discussed in this report all have some type of label that is either affixed to a product, or used as a logo in store or company advertisements. Some labels explicitly describe that the product is child labor-free. In other cases, the label may not make specific claims about child labor. The prohibition on child labor may be one of a set of standards implied by the label or logo. Still others are logos that convey information about child labor or child welfare without the use of any text. Depending on the program, labels may be affixed to the product (e.g., carpets), incorporated onto the product (e.g., soccer balls), or printed on the box or packing container (e.g., shoes). In some instances, labels may take the form of posters or signs that are placed conspicuously in retail spaces.

2. Claims Behind the Label

Labels give child labor information to consumers. Many of the labels claim that the product has been manufactured or produced without the use of child labor. Others claim that the manufacturer or producer discourages the use of child labor. Yet others may claim that the manufacturer/producer supports rehabilitation programs for children or makes contributions to social programs that assist children — either in addition to or in lieu of the no child labor claim.

3. Administration of a Labeling Program

Labeling programs may be administered by different entities: individual producers (companies), groups of producers (an entire industry or a trade association representing producers — sometimes in conjunction with the government), NGOs, or a combination of the above.

An important function of a labeling program is to inform consumers about the label and why it is desirable to purchase goods that carry it. Typically this is done through advertising or public awareness campaigns.

Developing a labeling program, informing consumers about it, and monitoring and enforcing the claims behind it are costly propositions. Thus, financing is one of the key issues behind the administration of a labeling program. In some instances, a labeling program may be financed by grants from governments or NGOs, while in others a fee or levy is imposed on producers or importers seeking to use the label.

4. Transparency

The term transparency refers to the extent to which workers, managers, contractors and subcontractors, NGOs and the public can understand and verify the claims made by a label. It also relates to public accountability of the entity adminis-

tering the labeling program, including public information about the operation of the program and monitoring and enforcement.

5. Monitoring

Monitoring gives labeling programs credibility in the eyes of the consumer, the media, NGOs and potential critics. Monitoring often begins with pre-screening of manufacturers or producers. Use of a label may depend on monitoring to ensure that the producer complies with claims associated with its use. Monitoring may be conducted by entities independent from the company or industry manufacturing or producing the labeled product, or by entities associated with them.

6. Enforcement

Just as labeling programs have a process to certify manufacturers and producers as eligible to use the label, many also have procedures to require remedial action or order discontinuation of the use of labels where a failure to comply with the terms of the label is found.

E. Other Private Sector Efforts

As market pressure for child labor-free goods has grown, so too has the variety of private sector responses.²⁹ This report focuses primarily on the emerging child labor consumer labels. It also mentions other efforts initiated by businesses to develop and implement policies prohibiting child labor.

In most of the industries surveyed for this report, associations of manufacturers, importers, and sometimes retailers have developed or are now developing codes of conduct.³⁰ International industry associations are actively debating guidelines for labor conditions. Some companies are changing their production processes to prevent child labor and monitor adherence to their labor practices policies. Finally, the recent trend toward codes of conduct has led concurrently to the rise in the number of NGOs and accounting firms offering consulting, auditing, monitoring and certification services to companies wishing to implement a code of conduct or label. Many of these organizations are new; and many firms are entering the field of monitoring for the first time. The effectiveness of many of these efforts is as yet undetermined.

Finally, a major new initiative promoting fair working conditions in the domestic and international apparel and footwear industries has emerged in the United States. The Apparel Industry Partnership, a coalition of U.S. apparel and footwear

²⁹ See generally, Jean-Paul Sajhou, *Business Ethics in the Textile, Clothing and Footwear (TCF) Industries: Codes of Conduct* (Geneva: International Labor Organization, Industrial Activities Branch, 1997).

³⁰ The term “code of conduct” is used generically in this report to refer to various types of corporate documents establishing policies and standards on child labor and other working conditions. These instruments take different forms — codes of conduct, statements of company policy in the form of letters to suppliers, provisions in purchase orders or letters of credit, and/or compliance certificates. See The Apparel Industry for further discussion.

companies and religious, human rights, consumer, and trade union groups,³¹ was formed in August 1996 after meeting with President Clinton and Vice-President Gore to discuss solutions to sweatshop conditions including child labor.

In April 1997, the Partnership announced its agreement to a comprehensive workplace code of conduct and independent monitoring system to ensure that apparel and footwear are produced under decent and humane working conditions. The Partnership is in the process of creating an association to oversee implementation and monitoring of the code. At the time the code of conduct was announced in April, the Partnership indicated it would develop a mechanism or “seal of approval” to inform consumers of companies that abide by the code and monitoring system.

F. Methodology

This report analyzes private-sector efforts that use labeling programs to communicate their child labor policy to consumers. Because the child labor labeling programs are relatively recent, and definitive data on costs and benefits as well as consumer demand are not available, this report has not attempted to make quantitative assessments of their effectiveness. The four industries selected — hand-knotted carpets, leather footwear, soccer balls and tea — were chosen because: (1) allegations of child labor in these industries were reported in ILAB’s prior child labor reports;³² and (2) private sector labeling programs exist in these industries.

To supplement the available published information, the Department of Labor held a public hearing, conducted a small, non-random voluntary survey of U.S. importers and retailers, and visited countries that produce hand-knotted carpets, leather footwear, soccer balls and tea. A company or program’s inclusion in this report does not constitute endorsement by the U.S. Department of Labor of any product, service, company, or program. The rest of this section describes in general terms these sources of information.

1. Public Hearing

The Department of Labor held a public hearing to gather information for this report on April 18, 1997. Public notice of the hearing was given through the *Federal Register*.³³ Letters of invitation were sent to a wide range of groups around the world, including human rights groups, international organizations, U.S. companies, trade unions, consumer groups, and foreign governments. The public was invited to present testimony, submit a statement for the record, or both. The record was kept open for written statements until April 28, 1997.

³¹ Members of the Apparel Industry Partnership are: Business for Social Responsibility; Interfaith Center on Corporate Responsibility; International Labor Rights Fund; Kathie Lee Gifford; Lawyers Committee for Human Rights; Liz Claiborne, Inc.; LL Bean; National Consumers League; Nicole Miller; Nike, Inc.; Patagonia; Phillips Van-Heusen; Reebok International Ltd.; Retail, Wholesale, and Department Store Union; Robert F. Kennedy Memorial Center for Human Rights; Tweeds Inc.; and the Union of Needletrades, Industrial and Textile Employees (UNITE).

³² See *By the Sweat and Toil of Children*, volumes I and II. The legislative mandate for this report (Omnibus Consolidated Appropriations Act of 1997, P.L. 104-208) states that “the sectors reviewed shall be based upon those products identified in volumes I and II of *By the Sweat and Toil of Children*.”

³³ *Federal Register* (Vol. 62, No. 57, March 25, 1997) 14164-14165.

Eleven witnesses presented oral testimony, ten of whom also presented written statements for the record. In addition, 40 individuals, foreign governments or organizations submitted statements for the record. Copies of statements submitted for the record are available from the U.S. Department of Labor, Bureau of International Labor Affairs.

2. Survey of U.S. Importers and Retailers

In order to gather information on the extent to which labeling programs and other voluntary mechanisms are used by each industry under review, the Department conducted a small, non-random voluntary survey of U.S. importers and retailers. Although companies surveyed were chosen to represent a broad spectrum of the hand-knotted carpet, leather footwear, soccer ball and tea industries, the findings from the survey cannot be generalized to firms beyond the respondents. (See Appendix A for a complete list of companies surveyed.)

A set of eight questions regarding labeling programs and codes of conduct was sent to 49 U.S. importers and retailers in the four industries.³⁴ (See Appendix B for a copy of the questionnaire.) The survey asked about methods used by the company to inform consumers that child labor was not used in the production of goods. Respondents also were asked about their codes of conduct. Finally, the survey asked for information on the use of child labor in any overseas facilities and approaches to reduce child labor abuses.

Thirty-six of the companies (73.5 percent) responded to the voluntary questionnaire.³⁵ The remaining thirteen companies (26.5 percent) did not return the questionnaire or informed the Department that they declined to participate. More detailed information on the survey for each of the industries is given in Chapters II through V.

3. Field Visits

During May and June 1997, Department of Labor officials traveled to eight countries — Brazil, China, India, Kenya, Mexico, Nepal, Pakistan and Tanzania — that produce hand-knotted carpets, leather footwear, soccer balls or tea for export to the U.S. market. The objective of the visits was to learn about the approaches used by producers and suppliers in these countries to implement labeling programs for child labor. The countries were selected based upon: 1) the existence of a child labor labeling program; 2) reports of child labor in the production of hand-knotted carpets, leather footwear, soccer balls or tea; 3) exports to the United States of hand-knotted carpets, leather footwear, soccer balls or tea; or 4) a combination of 1-3 above. In planning the field visits, Department officials met in Washington, D.C. with representatives of industry, trade associations and non-governmental organizations knowledgeable about the industries and the countries to be visited.

³⁴ Of the 49 companies, there were 23 importers/manufacturers, 22 retailers and 4 importers/retailers.

³⁵ Of the 36 companies responding to the survey, there were 22 importers/manufacturers, 10 retailers and 4 importers/retailers. Over half the retailers surveyed chose not to respond.

Interviews were held with as many relevant persons and organizations as possible in the foreign countries. These included government officials, manufacturers, managers of production facilities, buyers, trade associations, trade unions, workers, community activists, human rights groups, international organizations concerned with children's issues, and other NGOs. In some cases, U.S. Embassy personnel in each of the countries accompanied the Department of Labor officials. At the beginning of each interview, Department of Labor officials indicated that the purpose of the interview was to gather information for a public report, and any information collected would be used for that purpose.

Department representatives visited a sample of production facilities — factories, workshops and plantations. These sites were selected on the basis of information provided by U.S. importers, exporters' associations, U.S. Embassy officials, administrators of labeling programs, trade union representatives, international organizations, and NGOs.

Appendix D lists all the production facilities and organizations interviewed by Department of Labor officials in each country.

II. Hand-Knotted Carpets

A. Introduction

The use of child labor in the hand-knotted carpet industry has been widely reported and documented in recent years.¹ International organizations, human rights groups, and NGOs have described the dangerous conditions under which children make carpets, often in bondage and without pay.

This chapter discusses a number of private-sector initiatives to reduce child labor in the hand-knotted carpet industry. Section B provides a brief profile of the industry, followed by a discussion, in Section C, of child labor in the hand-knotted carpet industries of selected producing countries. Section D discusses consumer labeling programs, including their claims, structure and implementation procedures. Finally, Section E reports responses of U.S. importers and retailers of hand-knotted carpets to the child labor issue, based on a recent voluntary survey conducted by the Department of Labor.

B. Industry Profile

Nearly all hand-knotted carpets are made for export, with less than ten percent sold for use in their country of origin.² The largest carpet exporting countries are Iran, India, China, Pakistan, Turkey, Nepal, and Egypt.³ The United States and Germany are the world's leading importers of hand-knotted carpets.⁴ The United States, which produces no hand-knotted carpets of its own, imported \$329 million worth of hand-knotted carpets in 1996.⁵

Figure II-1 below lists the top suppliers of hand-knotted carpets to the United States. As Figure II-1 indicates, India is the largest single source of U.S. imports of hand-knotted carpets, followed by China; together they accounted for about 70 percent of total U.S. imports of hand-knotted carpets in 1996. Pakistan, Turkey, and Nepal accounted for another 25 percent of imports, while the remaining 5 percent

¹ *The State of the World's Children* (New York: UNICEF, 1997) 35 [hereinafter *The State of the World's Children*]; *The Small Hands of Slavery: Bonded Child Labor in India* (New York: Human Rights Watch, 1996) 102-117 [hereinafter *The Small Hands of Slavery*]; *Contemporary Forms of Slavery in Pakistan* (New York: Human Rights Watch, 1995) [hereinafter *Contemporary Forms of Slavery in Pakistan*]; N. Burra, *Born to Work: Child Labor in India* (New Delhi: Oxford University Press, 1995) [hereinafter *Born to Work*]; "Is Child Labor Really Necessary in India's Carpet Industry?" *Labour Market Paper #15* (Geneva: International Labor Organization, 1996) [hereinafter *Is Child Labor Really Necessary*]; *Child Labour in Asia: Some Perspectives on Selected Countries* (Canberra: Australian Agency for International Development, 1997) [hereinafter *Child Labour in Asia*].

² *Industry and Trade Summary: Carpets and Rugs*, USITC Publication 2695 (Washington, DC: U.S. International Trade Commission, November 1993) 9 [hereinafter *ITC*].

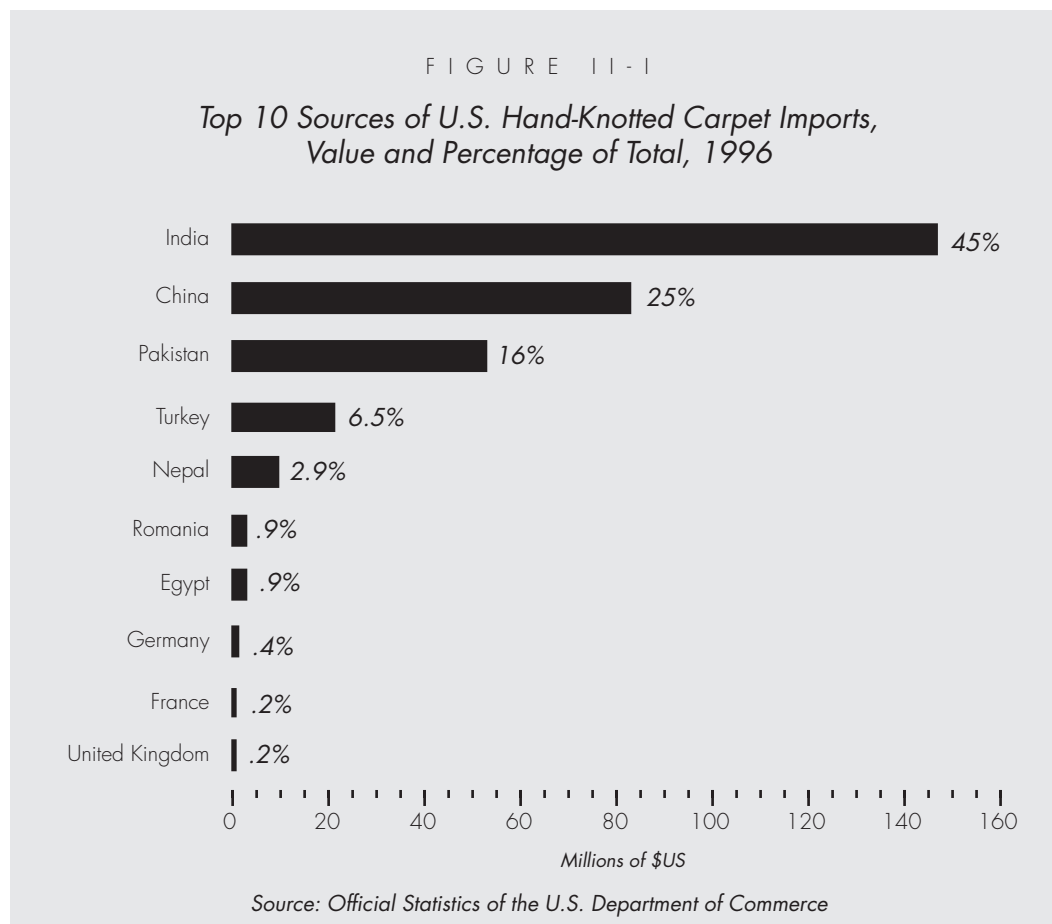
³ *Is Child Labor Really Necessary* at 26-27; *ITC* at 9; *Imports for Consumption* (Washington, DC: U.S. Department of Commerce, 1997) [hereinafter *Imports for Consumption*].

⁴ *ITC* at 9; Janet Hilowitz, *Labelling Child Labour Products, a Preliminary Study* (Geneva: International Labour Organization, 1997) 19 [hereinafter *ILO Labeling Report*]. Germany is also a leading marketing center for the carpet industry, holding major trade fairs from which carpets are exported worldwide.

⁵ *Imports for Consumption*. Hand-knotted carpets, generally referred to as "oriental rugs," are the major type of carpet imported into the United States, accounting for over 40 percent of the total value of carpets imported during 1987-1992. *ITC* at 9 and 18.

came from Romania, Egypt, and other countries.⁶ For many years, Iran was the largest U.S. supplier of hand-knotted carpets. These imports stopped in the late 1980s due to a U.S. trade embargo, thus making room for a larger volume of exports from India, China, Turkey, and Nepal.⁷ Table II-1 shows U.S. imports of hand-knotted carpets by country and dollar value. As Table II-1 illustrates, there has been a significant increase in hand-knotted carpet imports from India and Nepal in recent years.

A wide variety of U.S. retail outlets sell hand-knotted carpets. Mass merchants, do-it-yourself home centers and national chains sold 34 percent of all hand-knotted carpets in 1996.⁸ The bulk of carpets sold in these stores are low-priced and low-end quality rugs.⁹ Department stores accounted for another 27 percent of total sales, followed by carpet speciality stores (22 percent), furniture stores (9 percent), and catalog and gift stores (8 percent).¹⁰



⁶ Imports for Consumption.

⁷ ITC at 19.

⁸ "Statistical Report" in *Floor Covering Weekly* (July 21/28, 1997) 14 [hereinafter "Statistical Report"].

⁹ Interview with Leslie Stroh, Editor of *Rugnews*, by U.S. Department of Labor official (May 7, 1997).

¹⁰ "Statistical Report."

TABLE 11-1

*U.S. Hand-Knotted Carpet Imports, 1989 - 1996, Top 10 Suppliers in 1996
(in millions of U.S. dollars)*

	1989	1990	1991	1992	1993	1994	1995	1996
India	126.9	121.5	129.6	154.5	150.0	154.4	155.4	146.9
China	87.2	76.8	80.6	102.1	86.6	70.3	94.7	83.0
Pakistan	58.6	54.9	62.7	60.4	45.3	47.9	52.3	52.9
Turkey	16.5	18.6	24.2	30.8	23.1	29.1	25.6	21.4
Nepal	2.4	3.2	2.5	2.9	3.7	5.1	7.8	9.5
Romania	3.5	1.6	1.2	0.7	0.5	2.0	3.0	2.9
Egypt	0.3	0.6	0.7	0.8	0.8	1.1	2.0	2.8
Germany	0.6	1.0	1.1	1.0	1.0	0.7	1.0	1.3
France	0.6	0.3	0.2	0.4	0.3	0.6	0.6	0.6
United Kingdom	0.8	0.7	0.4	0.2	0.4	0.5	0.5	0.5
<i>Total Imports</i>	<i>311.8</i>	<i>292.9</i>	<i>312.1</i>	<i>361.3</i>	<i>319.2</i>	<i>320.3</i>	<i>351.0</i>	<i>329.6</i>

Source: Official Statistics of the U.S. Department of Commerce

A number of actors are involved in producing, exporting, importing and selling hand-knotted carpets. The chain of production for the carpet industry varies somewhat depending on the country of production, but usually involves the following actors:

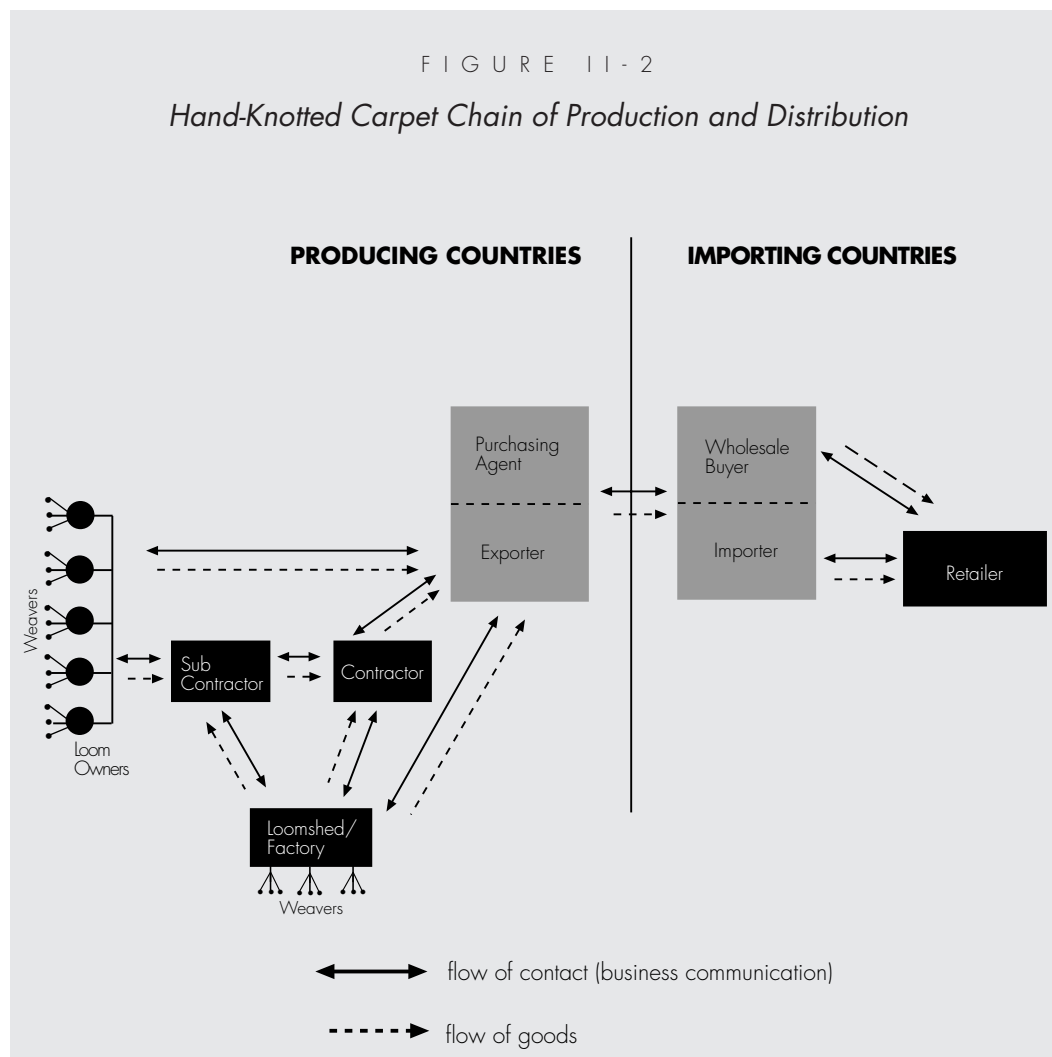
- **Retailers.** Department stores, national chains, do-it-yourself home centers, mass merchants, furniture stores, small specialty shops, and catalogue operations all sell hand-knotted carpets to U.S. consumers.¹¹ Some of these retailers purchase carpets exclusively through importers, while others buy carpets at trade shows.¹²
- **Importers.** Importers procure carpets for sale to specific retailers and sometimes operate their own retail outlets. Some importers design, produce, export, transport, import, market and/or sell their own hand-knotted carpets. Some importers use purchasing agents to buy carpets while others import carpets directly from foreign producers.

¹¹ "Statistical Report."

¹² Interview with Lucille Laufer, Executive Director, Oriental Rug Importers Association, by U.S. Department of Labor official (April 4, 1997).

- **Exporters.** Exporters receive carpet orders from importers. In some cases, exporters also produce the carpets, while in other cases, the exporter uses a contractor.
- **Contractors.** Contractors receive orders from exporters to make carpets. The contractor fills the order in one of two ways: either by making the carpet or by subcontracting all or part of its production.
- **Subcontractors.** Subcontractors play a number of roles. In some cases, the subcontractor weaves the carpet. In other cases, he or she acts as a middle-man between a contractor and weavers. In these cases, the subcontractor procures weavers, distributes materials, oversees the production process, and pays the weavers.

Figure II-2 below illustrates the chain of production and distribution for the hand-knotted carpet industry. This schematic shows the complex flow of communication and goods that is usually involved in the production, import and sale of hand-knotted carpets.



C. Child Labor in the Hand-Knotted Carpet Industry

The use of child labor in the production of hand-knotted carpets in South Asia has been widely reported and documented. Numerous reports have described large numbers of children working illegally in the carpet industries of India, Nepal and Pakistan, despite the fact that these countries have laws restricting the employment of children.¹³ The actual extent of child labor in the hand-knotted carpet industry remains unknown; reliable statistics are unavailable and existing estimates differ significantly. Nonetheless, reports have documented that many children participate in almost every stage of carpet making including: dyeing, spinning yarn, weaving, knotting, cutting and washing carpets.¹⁴

Production of hand-knotted carpets is highly labor intensive.¹⁵ Weavers sit in front of a loom knotting wool yarn around a warp. When a row is completed, weavers use a long metal bar to beat the knots tightly into place. The knots are then cut, and the weavers begin the next row. Many factors determine the price of hand-knotted carpets, but the major ones are the number and size of knots per square inch, the complexity of the design and the quality of the wool.¹⁶ Expensive, higher quality carpets usually have more intricate patterns, more knots per square inch and are made entirely of wool, with the most expensive made entirely of silk.¹⁷

In June 1997, U.S. Department of Labor officials visited facilities producing hand-knotted carpets in India, Nepal and Pakistan.¹⁸ Some of the following country-specific information on child labor was collected in connection with those visits.

¹³ See Footnote 1 *supra*. Some children are also reported to be working in the carpet industries of Morocco and Egypt. U.S. Consulate-Casablanca, unclassified telegram no. 424 (May 31, 1997); U.S. Embassy-Cairo, unclassified telegram no. 4702 (May 11, 1997).

¹⁴ The Small Hands of Slavery at 102-117; Contemporary Forms of Slavery in Pakistan at 53; Jonathan Silvers, "Child Labor in Pakistan," *Atlantic Monthly* (February 1996) 80-81 [hereinafter Child Labor in Pakistan]; *Best Kept Secret: Child Labor Around the World* (Brussels: International Confederation of Free Trade Unions, June 1994) 8-9 [hereinafter Best Kept Secret]; *Child Labor in Nepal: An Overview and A Proposed Plan of Action* (Kathmandu: International Labor Organization, vol. II, August 1995) 9-10; *Girls in Especially Difficult Circumstances: An Action Research Report* (Kathmandu: UNICEF, 1995) 6 [hereinafter Girls in Especially Difficult Circumstances].

¹⁵ *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of the Oriental Rug Importers Association). See also ITC at 1; Girls in Especially Difficult Circumstances at 6.

¹⁶ Interview with Leslie Stroh, Editor of *Rugnews*, by U.S. Department of Labor official (May 7, 1997); Sharid Ashraf, *On the Experience of a Major Carpet Exporter in Eliminating Child Labour While Maintaining Profitability*, (New Delhi: Centre for Social Action and Research, 1996) 4.

¹⁷ Is Child Labor Really Necessary at 1, 8.

¹⁸ U.S. Department of Labor officials visiting China were unable to visit any hand-knotted carpet production facilities. Visits were only made to hand-tufted carpet production facilities, which are largely mechanized. There does not appear to be any available information on child labor in the Chinese hand-knotted carpet industry.

Pakistan

Estimates of the number of children working in Pakistan's carpet industry, including child laborers in debt bondage, range from 120,000 to 1 million.¹⁹ In the two major carpet weaving regions of Pakistan, the Punjab and Sindh regions, children have been found weaving in rural village homes, small rural weaving centers, and urban factories.²⁰

Carpet weaving centers are often located in small enclosed buildings where children generally work and sleep, guarded by watchmen day and night.²¹ Children knot rugs in small, confined, dimly-lit and poorly-ventilated spaces where they are exposed to chemical dyes that cause numerous skin and respiratory ailments.²² Some reports have also described instances of abuse and beatings by loom owners.²³

Child weavers in rural areas sometimes work as bonded laborers.²⁴ Debt bondage occurs when a family takes out a loan secured by a child's future labor.²⁵ Contractors hired by carpet exporters "entice residents of small villages to engage in carpet production with loans, equipment, and promises of large sums of cash."²⁶ Absence from work due to illness, weaving mistakes and delays in the production schedule are often punished with wage deductions creating an inescapable cycle of debt.²⁷

India

Although there is considerable disagreement over the exact number of children weaving in India's carpet industry, the use of child labor in carpet production

¹⁹ *Summary Results of Child Labor Survey in Pakistan* (Islamabad: International Labor Organization, International Program for the Elimination of Child Labor, 1996) 11, 16-17; *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of the Oriental Rug Importers Association) 5; Child Labor in Pakistan at 80-81; *Memorandum from SACCS to U.S. Department of State* (February 20, 1996) [on file]; *Child Labour in the Carpet-Weaving Industry in Punjab* (Punjab: UNICEF, 1992) 3. Recent and reliable estimates of child labor in the Pakistani hand-knotted carpet industry are difficult to obtain. While the hand-knotted carpet industry estimates that only about 120,000 children are carpet weavers, others have estimated the number to be anywhere from 500,000 (SACCS) to 1 million (UNICEF). The ILO recently estimated that 19 percent (over 600,000) of the 3.6 million child workers in Pakistan are involved in craft and craft-related industries; however, the study did not specifically address child labor in the hand-knotted carpet industry. The Constitution of Pakistan (1973) prohibits employment of children aged 14 and below in factories, mines and other hazardous occupations. The Employment of Children Act (1991) and the Bonded Labour System (Abolition) Act (1992) aim at providing protection to children from exploitation, including bondage. Pakistani law does not prohibit or regulate children weaving carpets at home or in small shops. Adding to the child labor problem is the absence of free and compulsory elementary education in Pakistan.

²⁰ Contemporary Forms of Slavery in Pakistan at 48.

²¹ Id. at 56-57.

²² Id. at 53; Dr. Rakhshinda Parveen, *Psychological dimension of child labor* (Friederich- Ebert-Stiftung, February 1996) 5.

²³ Child Labor in Pakistan at 80-81; Sydney H. Schanberg, "Six Cents An Hour," *Life Magazine* (April 19, 1996) 43-44; Contemporary Forms of Slavery in Pakistan at 53.

²⁴ Contemporary Forms of Slavery in Pakistan at 48. In some cases, children are abducted by strangers rather than bartered by their parents into the carpet weaving industry, but the extent of this practice is not known. Reports have mentioned that children who are abducted and sold into the industry often face worse conditions of work and abuse.

²⁵ Contemporary Forms of Slavery in Pakistan at 48.

²⁶ Id. at 50-51.

²⁷ Id. at 53-56.

has been widely documented in the major carpet producing region of India.²⁸ The ILO reports that estimates of child labor in India's carpet industry range from 50,000 to 1,050,000.²⁹

In India, hand-knotted carpets are usually made in small workshops or loomsheds.³⁰ Most of India's child weavers are young boys.³¹ Children may work 10 to 14 hours a day six to seven days a week.³² They receive little or no time off, even when sick or during holidays.³³ The long days spent in poorly-lit and cramped positions result in injuries and work related illnesses. Cuts and wounds are common. Loom owners have been known to "treat wounds by putting sulphur from match heads into the cuts and then lighting them on fire, thereby sealing the wound."³⁴ By the time many of these children reach the legal employment age, their hands are badly damaged, their eyesight has grown weak, and their growth is stunted.³⁵

Some of the children working in India's carpet belt are bonded laborers, trafficked from the neighboring state of Bihar or from Nepal.³⁶ One report alleges that 10 to 20 percent of child laborers in the carpet industry are bonded.³⁷ These children are often "forced to work long hours... for no wages or nominal wages... some being ill-treated, beaten, tortured, abused, branded, and kept half fed, half clad."³⁸

Nepal

Carpet production in Nepal is concentrated in and around the Kathmandu Valley. Estimates of child labor in the carpet industry range from approximately 3,000 to 150,000.³⁹ Most of these children are boys and girls between the ages of 12

²⁸ Centered around the towns of Mirzapur, Bhadohi, Sonbhadra, Varanasi and Jaunpur in the State of Uttar Pradesh, the carpet belt accounts for 80 percent of all hand-made carpet production in India. See Is Child Labor Really Necessary at 1; Pharis J. Harvey and Lauren Riggin, *Trading Away the Future* (Washington, DC: International Labor Rights, Education and Research Fund, May 1994) 53.

²⁹ Is Child Labor Really Necessary at 12-13; The Small Hands of Slavery at 102. Human Rights Watch estimates that there are 300,000 children working in the carpet industry, 270,000 of whom are bonded laborers. Based on a recent survey, the ILO estimates that at least 130,000 children are employed in India's hand-knotted carpet industry. The Indian Constitution prohibits the employment of children under 14 years in factories, mines, or other hazardous employment. The Children (Pledging of Labor) Act (1933) prohibits bonded labor. The Child Labor (Prohibition & Regulation) Act (1986) also prohibits the employment of children under 14 in various occupations, including carpet weaving.

³⁰ The Small Hands of Slavery at 106. Loomsheds are often located in the weavers' huts or houses.

³¹ *Eliminating Child Labor Through Community Mobilization: a study on an NGO's efforts to eliminate child labor in the carpet industry in Mirzapur, India* (New Delhi: International Labor Organization, 1996) 14 [hereinafter *Eliminating Child Labor*]; The Small Hands of Slavery at 103.

³² The Small Hands of Slavery at 108-109.

³³ *Eliminating Child Labor* at 14.

³⁴ The Small Hands of Slavery at 109.

³⁵ Id. at 109; Molly Moore, "Factories of Children: Youth Labor Force Growing in Asia to Meet Export Demand," *Washington Post* (May 21, 1995).

³⁶ The Small Hands of Slavery at 104.

³⁷ Id. at 104-105.

³⁸ Id. at 104.

³⁹ *Survey of Child Workers in Nepal Carpet Factories* (Kathmandu: Asian-American Free Labor Institute, 1996) 7; *Voice of Child Workers* (Kathmandu: Child Workers in Nepal Concerned Center, December 1995) 30. While AAFLI estimates that approximately 3,000 children are presently working in Nepal's carpet industry, an earlier study by CWIN estimated that about 150,000 children work in the Nepalese carpet industry. The Constitution of Nepal and the Children's Rights and Welfare Act (1992) prohibit the employment of children below the age of 14 in factories, mines or hazardous work. The Constitution also forbids slavery, bonded labor, and trafficking of individuals.

to 14.⁴⁰ Recent reports suggest that child labor in Nepal's carpet industry may be declining.⁴¹

Unlike India and Pakistan, where large amounts of carpet production take place in households and small centers in rural areas, carpet production in Nepal largely occurs in urban centers and factories. Working conditions for children in Nepalese carpet factories, however, are very similar to those previously described for Pakistan and India. The children work long hours for little or no pay in dangerous and unhealthy conditions.⁴²

As in Pakistan and India, children are also reported to be working in debt bondage in Nepalese carpet factories.⁴³ Brokers in Nepal, also known as *naikes*, give loans to parents in rural areas. The parents then send their children to Kathmandu to work off the loan by weaving carpets.⁴⁴ Young girls are also known to have been trafficked from Nepalese carpet factories into the Indian sex industry; between 5,000 and 7,000 girls ages 10 to 17 are reportedly trafficked each year from Kathmandu to India.⁴⁵

D. Consumer Labeling Programs in the Hand-Knotted Carpet Industry

1. Introduction

The hand-knotted carpet industry was one of the first industries to attract extensive public scrutiny due to reports of child labor. In the late 1980's, consumer, religious, and human rights NGOs in Europe, North America, and South Asia launched information campaigns showing consumers the conditions under which children could be found weaving carpets.

Media publicity and consumer concern stemming from these campaigns gained the attention of the carpet industry. Carpet producers, exporters, importers, and retailers feared the adverse publicity would lead to decreased sales.⁴⁶ Their concerns provided an impetus for new efforts — including consumer labeling programs — to address child labor and stem disruption of the market. Actors in these efforts include carpet manufacturers, exporters, importers, and governmental, non-governmental and international organizations. Some of these groups focus on the removal of

⁴⁰ *Situation Analysis of Child Labor in Nepal* (Kathmandu: Centre for Women/Children and Community Development, May 1997) 54.

⁴¹ U.S. Embassy-Kathmandu, unclassified telegram no. 2665 (June 23, 1995).

⁴² Child Labour in Asia at 71.

⁴³ John-Thor Dahlburg, "Trading with Tiny Hands," *Los Angeles Times* (July 12, 1994) [hereinafter Dahlburg].

⁴⁴ Dahlburg.

⁴⁵ Girls in Especially Difficult Circumstances at 7. Thousands of young children are believed to be transported from rural to urban areas, across the Nepalese/Indian border, from Bihar into the carpet belt of Uttar Pradesh, and from Kathmandu to the brothels of Calcutta.

⁴⁶ There have been numerous media accounts attributing decreased carpet exports to the child labor issue. For example, the August 26, 1997 edition of the Pakistan English daily *The News* attributed a 7.5 percent decrease in carpet exports from Pakistan in 1996-97 to, at least in part, the child labor issue. American Embassy-Islamabad, unclassified telegram no. 7330 (August 27, 1997). See also "Nepal's Carpet Makers Warned On Child Labor Law Violations," *Journal of Commerce* (May 20, 1995).

children from the carpet industry, while others hope to alleviate the broader social and economic conditions that cause children to work. All wish to improve the image of this industry, which provides a livelihood for millions of South Asian families and income for exporters, importers and retailers throughout the world.

RUGMARK®, established in India during 1994 and expanded to Nepal the following year, was the first carpet labeling initiative to address the problem of child labor.⁴⁷ Three other labeling programs evolved soon after: Kaleen, STEP, and Care & Fair. Kaleen is an initiative of the government of India. STEP, a private initiative of Swiss NGOs and industry representatives, works in India, Nepal and Pakistan with plans to expand to Iran, Morocco, Egypt, and Turkey. Care & Fair was created by German importers and is now established in India, Nepal, and Pakistan. RUGMARK and Kaleen are carpet labeling initiatives, with individual carpets carrying labels. In contrast, the STEP and Care & Fair programs certify entire companies rather than individual carpets.

The four labeling programs discussed in this section are new and still evolving; they differ greatly in focus and scope. The structure of the carpet industry presents inherent challenges to any labeling effort, particularly those with a commitment to monitoring and enforcement. As discussed in Section C, the Indian and Pakistani carpet industries are geographically dispersed over large regions, with weaving often taking place in small loom sheds in remote villages. In these countries and in Nepal, several layers of contractors and middlemen can make the chain of production difficult to trace. Faced with these challenges, some labeling programs, such as STEP and Care & Fair, have deliberately focused their efforts solely on social programs for children and their families in carpet-producing regions rather than certifying carpets as child labor-free and implementing a monitoring system to back up such a claim. Others, such as RUGMARK and Kaleen, have established monitoring components in addition to social programs.

The monitoring and certification programs of the RUGMARK initiative, although still new, are the most developed, with an extensive system of checks and balances. Paradoxically, labeling programs that monitor for child labor are particularly vulnerable to criticism, as mistakes and violations inevitably occur, requiring programs to constantly refine their monitoring and enforcement processes. Initiatives that are limited to “softer” commitments, such as financing child welfare programs, have less risk of not fully meeting their objectives.

This section describes the structure and implementation of each of these labeling programs, based on information obtained from the programs themselves and from U.S. Department of Labor site visits to India, Nepal, and Pakistan. Finally, other related initiatives will be discussed.

⁴⁷ RUGMARK® is a registered trademark. It will be written as RUGMARK throughout the remainder of this report.

2. RUGMARK

a. Program Overview

RUGMARK is a private, voluntary certification program founded in September 1994 to provide market-driven incentives for Indian carpet manufacturers to produce without child labor. The program's founders include Indian and international NGOs, the Indo-German Export Promotion Program, a small segment of the Indian carpet industry, and the United Nations Children's Fund (UNICEF). Conceived at the height of the media campaign exposing the plight of child carpet workers in the early 1990s, RUGMARK aims to reduce the use of child labor in the industry and thereby avoid the risk of consumer boycotts. It also seeks to improve the long-term prospects of children who are removed from jobs in the industry as a result of the program.⁴⁸



Start-up funds for RUGMARK were provided by the German Development Agency (GTZ).⁴⁹ By April 1996, the Indian RUGMARK Foundation had become self-sufficient, its operations financed by the licensing fees of participating manufacturers and exporters. The Nepal RUGMARK Foundation, established in December 1995, receives funding from the UNICEF Committee for Nepal, the Asian American Free Labor Institute (now part of the AFL-CIO's American Center for International Labor Solidarity), the German Development Agency, and licensing fees.⁵⁰ Efforts are now underway to establish RUGMARK in Pakistan.

While RUGMARK originated in India, today it operates as an international trademark and certification program for carpets made according to certain criteria. Its principal goals are to:

- organize individuals and companies in the carpet industry with the goal of eliminating the use of child labor;
- establish an independent, professional and internationally credible monitoring and certification system for carpets manufactured without child labor; and
- rehabilitate and educate former child carpet workers.⁵¹

The non-profit RUGMARK International foundation was created in Germany in early 1996 to establish the RUGMARK trademark and license its use to national foundations in producing and importing countries. Once fully operational, its board of directors will be responsible for maintaining uniform standards across programs in

⁴⁸ Pharis Harvey, *RUGMARK After One Year: Appraisal of a New Effort at Social Marketing in the Interest of Children* (Washington, DC: International Labor Rights Fund, 1996) 4 [hereinafter RUGMARK After One Year].

⁴⁹ The German Development Agency is the German government's equivalent of the United States Agency for International Development.

⁵⁰ RUGMARK Nepal officials hope their program will be self-financed by 1998.

⁵¹ ILO Labeling Report at 22.

participating countries of production.⁵² At present, however, RUGMARK International primarily manages the trademark system.

The RUGMARK trademark was registered in Germany in December 1995 and in the United States in April 1996. In 1996, RUGMARK foundations were established in Germany and the United States to protect the trademark and promote and market RUGMARK labeled carpets domestically.⁵³ Importers and retailers are authorized to import and sell RUGMARK carpets through licensing agreements with these foundations. In the Netherlands, there is a program representative who serves as a contact for importers interested in becoming licensees.⁵⁴

The RUGMARK foundations in India and Nepal are autonomous, non-profit institutions responsible for implementing RUGMARK criteria locally. They license manufacturers and exporters, operate monitoring and inspections programs, track carpets, and establish rehabilitation programs for children removed from carpet production. To maintain a balance of interests, the board of directors of each national foundation includes representatives of industry, NGOs, and international organizations.

The RUGMARK label, placed on the back of each carpet, displays the Foundation's logo — a carpet with a smiling face. It is made of silk acetate with an adhesive backing. Below the logo is the inscription "RUGMARK" and a serial number assigned by the local foundation in India or Nepal. Through this number, program officials state they can trace the carpet back to the exporter responsible and the loom on which it was woven.⁵⁵ There is no text on the label explaining its significance.

The Indian RUGMARK Foundation states that its label "assures importers and consumers that carpets with this label have been manufactured/exported by a company which has committed itself to work without illegal child labor, and which is subjected to an effective surveillance mechanism so that it remains so."⁵⁶ Other RUGMARK foundations and program officials characterize the meaning of the label differently, particularly regarding the degree to which the label guarantees production without child labor.⁵⁷ RUGMARK officials acknowledge these variances, which they hope to resolve shortly with the formation of RUGMARK International's board of directors under a new constitution. The board will include representatives from

⁵² Fax letter from Ingo Herbst, Representative of RUGMARK International, to the Child Labor Coalition (March 4, 1996) 2 [on file] [hereinafter Fax from Ingo Herbst].

⁵³ RUGMARK After One Year at 15.

⁵⁴ Telephone interview with Ingo Herbst, Representative of RUGMARK International by U.S. Department of Labor official (September 16, 1997). According to Mr. Herbst, the Dutch market is not large enough to support a RUGMARK Foundation in that country.

⁵⁵ *The RUGMARK Initiative* (New Delhi: Indian RUGMARK Foundation, February 1997) [hereinafter *The RUGMARK Initiative*]. In Nepal, the dimensions of the carpet are also included on the label since the physical characteristics of Nepalese carpets are often more difficult to describe than those of Indian carpets.

⁵⁶ *The RUGMARK Initiative*.

⁵⁷ For example, RUGMARK-U.S.A. states on its promotional materials that "the RUGMARK label assures you that a carpet was made without illegal child labor, and that former child workers are getting an education." The German RUGMARK Foundation informs consumers that "RUGMARK carpets are from a controlled production which is free of child labor" (translated from German). Telephone interview with Ingo Herbst, Representative of RUGMARK International by U.S. Department of Labor official (September 16, 1997).

each national foundation and will have centralized decision-making authority on RUGMARK standards.⁵⁸

b. Program Structure

The three main components of the RUGMARK program are producer licensing, monitoring, and rehabilitation programs for child weavers. Both the Indian and Nepalese programs function according to the criteria, procedures, and inspection model originally established by the Indian RUGMARK Foundation. Because of this similarity, the following description focuses on structure and rules of the more mature Indian program. The greater centralization of the carpet industry in Nepal has led to certain procedural adaptations, which are also noted.

The RUGMARK program consists of two systems of licensing — one for importers and/or retailers in consuming countries; the other for exporters and/or manufacturers in producing countries.⁵⁹ Importers and retailers who receive a license to import and sell RUGMARK carpets must pay a fee of one percent of carpet export value into a common fund overseen by RUGMARK International and UNICEF. These funds are used to set up educational programs for children removed from carpet work. RUGMARK Germany is considering raising this fee to 1.4 or 1.5 percent to help cover promotional and marketing costs.⁶⁰ In the United States, RUGMARK licensees must pay a total fee of 1.75 percent of carpet export value. The additional 0.75 percent is used to cover RUGMARK-U.S.A.'s administrative and operating costs.⁶¹

In producing countries, licensed exporters and manufacturers are required to pay a separate license fee of 0.25 percent of the export value of all carpets exported with the RUGMARK label.⁶² Their fee is used to finance the local program's administrative expenses, inspections and monitoring, and the issuance of RUGMARK labels.

Carpet exporters and/or manufacturers applying to become RUGMARK licensees must abide by the following criteria:⁶³

- They must be a dealer, manufacturer, or exporter of carpets;⁶⁴

⁵⁸ This Board of Directors will be formed according to a new RUGMARK constitution, which is pending final approval by the national foundations.

⁵⁹ Fax from Ingo Herbst at 2.

⁶⁰ Telephone interview with Ingo Herbst, Representative of RUGMARK International, by U.S. Department of Labor official (July 31, 1997).

⁶¹ Telephone interview with Terry Collingsworth, Secretary-Treasurer of RUGMARK-U.S.A., by U.S. Department of Labor official (August 8, 1997).

⁶² *Affidavit to be Submitted to RUGMARK Foundation by Carpet Manufacturer/Exporter*, RUGMARK Foundation [on file] [hereinafter RUGMARK Affidavit].

⁶³ *RUGMARK Criteria*, Indian RUGMARK Foundation (undated) [on file] [hereinafter RUGMARK Criteria]. Applicants must submit a sworn affidavit guaranteeing, among other items, their commitment to source only from parties not employing illegal child labor and certifying they have disclosed all looms working for them to the local foundation. See RUGMARK Affidavit.

⁶⁴ Exporters who purchase from unknown sources or who cannot oversee the production of their carpets are not eligible to become a RUGMARK licensee. ILO Labeling Report at 23.

- They must be committed to the complete removal of employed or bonded child labor in their carpet production in accordance with national child labor laws;
- They must furnish a complete and current list of all looms producing for them;
- They must ensure that carpets produced under RUGMARK are manufactured without the involvement of children under 14;⁶⁵ and
- They must sign a declaration committing themselves to pay at least the official minimum wage to parties responsible for carpet production.

Before submitting an application, prospective licensees must meet with all of their loom owners, contractors, and/or subcontractors to inform them of their participation in the RUGMARK program, the commitment being made, and their need to cooperate fully with loom inspections.⁶⁶

As of June 1997, RUGMARK India had licensed 164 manufacturers and exporters and certified the export of about 636,000 labeled carpets.⁶⁷ The newer and more centralized Nepalese program had licensed 27 companies and certified the export of about 6,500 carpets as of May 1997; another 3,000 labels were on order.⁶⁸ Most RUGMARK carpets were shipped to Germany; far fewer were sent to the United States, Italy, Spain, Switzerland, the United Kingdom, France, the Netherlands, and Japan.

There are 28 RUGMARK-licensed importers in Germany and one each in Belgium, Luxembourg, the Netherlands, Switzerland, and the United States.⁶⁹ In Germany, RUGMARK carpets account for 30 percent of hand-knotted carpet imports from India and 10 percent of total imports.⁷⁰ *KIBEK*, a leading German carpet importer supplying almost 15 percent of the German market, exclusively imports RUGMARK carpets from countries where the label is available.⁷¹ There is one RUGMARK-licensed importer, Odegard, Inc., in the United States.⁷²

⁶⁵ This provision does not apply to family enterprises where the loom owner's children assist in carpet production, as long as these children attend school regularly. In cases where a worker's age is ambiguous, employers or loom owners must furnish an age certificate from a qualified medical practitioner.

⁶⁶ *Simple Steps at Different Stages: Compliance of RUGMARK Requirements by Applicants* (New Delhi: Indian RUGMARK Foundation, undated) 2 [on file] [hereinafter Simple Steps].

⁶⁷ Telephone interview with Major General S. Sondhi, Executive Director of RUGMARK India, by U.S. Department of Labor official (June 17, 1997).

⁶⁸ *Nepal RUGMARK Foundation General Progress Report* (Kathmandu: Nepal RUGMARK Foundation, April 14, 1997); interview with Surendra Dhakal, Executive Director, RUGMARK Nepal, by U.S. Department of Labor official (June 5, 1997).

⁶⁹ Electronic correspondence from Ingo Herbst, Representative of RUGMARK International, to U.S. Department of Labor (April 11, 1997) [on file]; Telephone interview with Ingo Herbst, Representative of RUGMARK International, by U.S. Department of Labor official (September 16, 1997).

⁷⁰ Electronic correspondence from Ingo Herbst, Representative of RUGMARK International to U.S. Department of Labor (September 10, 1997) [on file].

⁷¹ Letter from Ingo Herbst, Representative of RUGMARK International, to Pharis Harvey, President, RUGMARK-U.S.A. (September 11, 1996) [on file].

⁷² Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK- U.S.A., by U.S. Department of Labor official (September 12, 1997). Two other importers are now negotiating RUGMARK licensing agreements with the RUGMARK-U.S.A. See Section E of this chapter for further information.

c. Program Implementation

In both India and Nepal, RUGMARK criteria are monitored and enforced through an elaborate system of licensee approval, random inspections, and carpet tracking.⁷³ License applicants must provide a “loom list” identifying all looms on which their carpets are produced. The list is checked against applicants’ export figures over the previous two years, in both value and square meters sold, to determine whether the number of looms reported is adequate to have produced the exports claimed. This procedure is meant to prevent under reporting of looms that could enable manufacturers to utilize illegal child labor on unlisted looms.

Once all application materials are completed, RUGMARK inspectors visit a random sample of looms on the prospective licensee’s loom list. If any children are found working illegally, the loom owner, or factory owner in the case of Nepal, is given a short period of time to replace them with adults. Wherever possible, parental consent is obtained so that the displaced children can be placed in rehabilitation programs. Discovery of child labor during a second unannounced visit leads to the rejection of the application.⁷⁴ (Likewise, if any unlisted looms are found to be working for the prospective licensee, the application is rendered invalid.) This information is entered into a computerized database, enabling the central office to keep track of problematic producers.

When all criteria are met and inspections satisfactorily completed, the applicant is granted a RUGMARK license. Each loom is assigned an individual identification number to facilitate future inspections and tracking of carpets. This loom identification number must be prominently displayed at the loom site, and additions or removal of looms must be reported to the local RUGMARK foundation.

RUGMARK licensees are required to keep detailed records of each order they receive through the program. The licensee must send a copy of each purchase order to the local RUGMARK office, along with detailed information on each carpet’s production. Before production begins, each carpet is given a serial number. Licensees must maintain a book for each loom recording the dates of all orders, carpet quality and size, date when production is initiated and completed, the carpet’s serial number, and the invoice date and number.⁷⁵ During the production of each carpet, which can take from one to nine months, RUGMARK inspectors can make unannounced visits at any time to verify that no child labor is being used and that the carpet corresponds with the specifications submitted.

Monitoring is a key component of the RUGMARK labeling system. Inspections are carried out by professional RUGMARK inspectors, but representatives of local NGOs are permitted to accompany them at any time.⁷⁶ According to program

⁷³ RUGMARK After One Year at 17.

⁷⁴ Id. at 18. According to the author, empty seats found during inspections are assumed to have been vacated by a child, unless it can be demonstrated otherwise.

⁷⁵ Simple Steps at 2. The loom list also includes information such as the name and caste of the loom owner, the village, district, and the location and size of the looms.

⁷⁶ In India, the RUGMARK inspectorate consists of 13 inspectors based in the carpet belt in Varanasi. According to RUGMARK India, additional temporary inspectors, recruited from universities, are sometimes hired. In Nepal, the RUGMARK inspectorate consists of 4 inspectors. Interview with John Mathew, RUGMARK-India, by U. S. Department of Labor official (June 12, 1997); interview with Surendra Dhakal, Executive Director, Nepal RUGMARK Foundation, by U. S. Department of Labor official (June 5, 1997).

materials, findings from inspections are treated as confidential. When inspectors discover violations by loom owners, the local RUGMARK foundation informs the responsible licensee, and a joint decision is made regarding appropriate actions to be taken.⁷⁷

Several safeguards have been devised to preserve the integrity of the inspection process:

- Inspectors are not told of their daily destinations until the morning of the inspection when they receive assignments from the national office. This is intended to prevent advance warning that an inspector is on the way.
- Inspectors work in pairs which change daily. (In Nepal, they work alone.)
- Inspectors, all university graduates, are paid significantly more than they could expect at other jobs in the region. This is meant to create a disincentive to accepting bribes.
- Each inspector must complete a “Daily Activity Report,” with detailed information on the inspections conducted.

The inspectors’ reports contain details on the looms visited, including information about children found working (father’s name and address; age; whether bonded, local, or migrant; and specifics on school attendance), as well as information about the carpets being produced and other weavers and their wages. Inspectors are also asked to include information explaining any apparent absence of workers from a loom. The inspector may also note whether any children were found working in off-loom activities such as spinning yarn or clipping, binding, and washing carpets.

As with license applicants, licensees are given one warning before they are sanctioned for the use of child labor. If any children are found working illegally in sites for which the licensee bears responsibility, either directly or indirectly, the licensee is warned and a second unannounced visit is made within weeks. If the children are still present during the follow-up visit, the responsible licensee is decertified and can no longer obtain RUGMARK labels.⁷⁸

Once a carpet is completed and ready for export, the local RUGMARK foundation issues a label containing the appropriate carpet identification number. The label is then affixed to the back of the carpet by the exporter.⁷⁹ When the carpet is ready for shipment, the exporter must furnish a copy of the packing list, including

⁷⁷ The RUGMARK Initiative, Article 2.1.

⁷⁸ RUGMARK After One Year at 20. RUGMARK India informed a U.S. Department of Labor official that while there are procedures to de-register individual loom owners for violation of RUGMARK criteria, there are no procedures to de-license exporters *in toto*. However, for five to six months after a loom is de-registered, the licensee responsible for that loom is not issued any labels. The licensee may re-apply for labels thereafter if the problem has been corrected. Interview with John Mathew, RUGMARK-India, by U.S. Department of Labor official (June 12, 1997)

⁷⁹ Inspections are also made at exporters’ facilities. During these visits, inspectors verify the source and serial numbers of each carpet and the exporters’ packing lists; and assess whether any carpets are from uncertified sources, have duplicate serial numbers, or carry unauthorized labels. RUGMARK After One Year at 18.

the RUGMARK label number and a detailed description of the carpet. This documentation links the carpet back to the actual loom on which it was produced.

As of June 1997, RUGMARK India reports having conducted a total of 22,800 inspections of the 18,400 registered looms.⁸⁰ During the course of these investigations, 1,060 children were found working illegally on 635 looms. Of these children, somewhere between 15 and 30 percent were bonded; the remaining children were either hired locally or working alongside their families. As of August 1997, RUGMARK Nepal had registered 1,868 looms. Since beginning inspections in December 1996, inspectors had made 1,754 unannounced visits to licensees' facilities, finding 143 children illegally working at looms. Some of the instances were repeated sightings of the same children; none of the children were bonded.⁸¹

Rehabilitation and education of children found during these inspections is the third major component of the RUGMARK program. These activities are funded through importers' licensing fees. RUGMARK India's initial intent was for its educational programs to be operational before inspections began, so that children removed from the looms could receive services immediately. However, there was a lag between the initiation of inspections and the establishment of complementary rehabilitation facilities. This was due to the early emphasis on loom inspection and monitoring, logistical delays in obtaining funds from importers, and problems transferring funds to India.⁸² As a result, some working children initially found during inspections had been dismissed and could not be located later, when these services were available.

Today, however, RUGMARK India operates two facilities for children, both of which were established with importers' funds:

- A RUGMARK primary school was inaugurated in Bhadohi in August 1996. Two-hundred and fifty weavers' children, ranging in age from 6 to 13, have been enrolled in the school since it opened; 200 more are on a waiting list.⁸³
- In October 1996, RUGMARK India opened a transitory live-in rehabilitation center, also in Bhadohi, for former child carpet weavers. In addition to food, shelter, and medical care, this center, called RUGMARK Balashrya, provides formal and non-formal education, and vocational, social, and human rights awareness training to children up to age 14.⁸⁴ As of April 1997, there were 37 children enrolled at Balashrya, 21 of whom had been bonded carpet workers.⁸⁵

⁸⁰ "RUGMARK Statistics," RUGMARK India (June 6, 1997) [on file].

⁸¹ Electronic correspondence from Narayan Bhattarai, Nepal RUGMARK Foundation, to U.S. Department of Labor (August 8, 1997) [on file].

⁸² *RUGMARK After One Year* at 27. See also "RUGMARK rehab roots spread deep and wide," *RUGMARK Foundation Special Newsletter* (New Delhi: RUGMARK India, June 1997) 1.

⁸³ "RUGMARK Primary School Inaugurated in the Carpet Belt," *RUGMARK Foundation Special Newsletter* (New Delhi: RUGMARK India, September 1996) 1, and interview with John Mathew, RUGMARK-India, by U.S. Department of Labor official (June 10, 1997).

⁸⁴ "RUGMARK's Gift to Carpet Weavers," *RUGMARK Foundation Special Newsletter*, (New Delhi: RUGMARK India, November 1996) 2, 8-9.

⁸⁵ Electronic correspondence from Ingo Herbst, Representative of RUGMARK International, to U.S. Department of Labor (April 11, 1997) [on file].

RUGMARK officials acknowledge that they have had limited success in placing bonded children into rehabilitative programs. They claim that one reason has been the difficulty of locating these children's native villages in remote areas of Bihar and convincing parents to forfeit their children's earnings. To address these difficulties, RUGMARK officials are looking into establishing schools and rehabilitative programs in the areas of Bihar from which children are traditionally recruited.⁸⁶

RUGMARK Nepal now operates three rehabilitation schools, each of which houses 50 displaced carpet children. The RUGMARK schools have received considerable funding and guidance from UNICEF Nepal, the German Development Agency (GTZ), the Asian-American Free Labor Institute (AAFLI - now part of the AFL-CIO's American Center for International Labor Solidarity) and the Underprivileged Children's Education Program (UCEP). The schools are intended to house, clothe, feed and educate rescued children until they are 14. Most students are 11 and 12 years old; few have any previous education. RUGMARK Nepal also works closely with an AAFLI/UCEP transit center, which provides short-term support for displaced carpet children between factory and school.

RUGMARK Nepal has advised its licensees to retain their child laborers until they are either placed in schools or returned to their families.⁸⁷ A baseline survey, carried out by AAFLI in December 1995, identified 268 children in need of placement. RUGMARK Nepal began moving children out of licensed factories a year after the baseline survey, in December 1996. By that time, some of the initial 268 were old enough to work; others had left their jobs or voluntarily returned to their families. On the other hand, the licensing of additional factories had also added new names to the placement list.⁸⁸

As of September 1997, RUGMARK Nepal had removed a total of 197 children from employment in licensed manufacturers' facilities. Of these, 150 had been placed in rehabilitation schools. The remaining 47 were in the transit home awaiting placement in a fourth rehabilitation school, scheduled to open shortly.⁸⁹ The closing of AAFLI's Nepalese program in December 1997 could leave the transit home unfunded unless RUGMARK can find alternative funding.

The UNICEF funding of the non-formal component of the rehabilitation programs will be discontinued in February 1998. The RUGMARK Nepal Executive Director has indicated he is now searching for new donors for these programs. He also expressed concern that because of funding difficulties, the Foundation may have to enroll future displaced children in formal schools.⁹⁰ With little or no previous schooling, child weavers often lack the skills necessary to make this transition. According to a RUGMARK U.S.A. official, however, significant importers' fees have been collected in

⁸⁶ Interview with Major General S. Sondhi, Executive Director, RUGMARK India, by U.S. Department of Labor official (June 17, 1997).

⁸⁷ RUGMARK After One Year at 22.

⁸⁸ Electronic correspondence from Surendra Dhakal, Executive Director, RUGMARK Nepal, to U.S. Department of Labor (September 12, 1997) [on file].

⁸⁹ Id.

⁹⁰ Id.

the United States and Germany from the sale of Nepalese RUGMARK carpets. These funds have not yet been released to RUGMARK Nepal, but are earmarked for its rehabilitation efforts once other sources of funding are phased out.⁹¹

d. Findings from Site Visits

In June 1997, U.S. Department of Labor officials met with representatives from the Indian and Nepal RUGMARK Foundations and NGOs and visited carpet production sites. Information gathered during these visits indicate RUGMARK is making a good faith effort to implement transparent monitoring and tracking systems to ensure licensees are abiding by RUGMARK standards. Most agree that RUGMARK's very visible presence has helped raise general awareness of child labor in the industry and contributed to reducing the use of child labor in carpet production in both India and Nepal.

In Nepal, where there are relatively few RUGMARK licensees, all of whom are concentrated in the Kathmandu Valley, RUGMARK inspectors have had a very physical presence since initiating monitoring in December 1996. Thus far, RUGMARK Nepal has made an average of 65 visits per licensee. Members of the Nepalese industry, which is generally supportive of RUGMARK, are cautiously optimistic that real advances are being made toward eliminating child labor.

In India, where carpet production takes place in small, often remote villages dispersed over a large geographic area, the challenges of implementing an inspection system are enormous. Many proponents of other labeling initiatives and critics of RUGMARK argue that such an effort is simply not possible. Despite the physical difficulties of monitoring, however, RUGMARK is trying scrupulously to maintain the integrity of its inspection and record-keeping programs. During the course of 22,800 inspections of 18,400 registered looms, RUGMARK inspectors have found over 1,000 illegally employed children. These figures illustrate the seriousness with which the monitoring program is being implemented. According to the Executive Director of RUGMARK India, when inspections were first initiated, children were found on every sixth or seventh loom. Today, that ratio is closer to one out of every twelve or thirteen looms inspected.⁹²

In both India and Nepal, the existing RUGMARK education, transit, and rehabilitation centers are in full operation. Both programs are planning to establish new schools and rehabilitation facilities to meet present and future needs.

The RUGMARK programs are still very recent, and program officials are still fine-tuning their implementation. Information from site visits suggested some areas in which improvements could be made. Department of Labor officials found two instances where licensees appeared not to have registered all of their looms to national RUGMARK offices. RUGMARK requires that they do so, whether or not the

⁹¹ Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A. by U.S. Department of Labor official (September 12, 1997).

⁹² Interview with Major General S. Sondhi, Executive Director, RUGMARK-India, by U.S. Department of Labor official (June 17, 1997).

looms are used to produce RUGMARK carpets.⁹³ One large exporter and RUGMARK licensee in India told a Department of Labor official that he registered only those looms used to produce RUGMARK carpets.⁹⁴ In a RUGMARK-licensed factory in Kathmandu, another Department of Labor official observed particularly young weavers at unnumbered looms, working alongside adults who were weaving on RUGMARK-numbered looms.⁹⁵ It was unclear whether these were new looms that had not yet been registered. In the same factory, a 13-year-old boy, observed spinning yarn, was identified as having just left the transit center to which he had been taken earlier.

At least one large producer in Nepal, along with the affiliated importer in the United States, appear to be taking advantage of an informal relationship with RUGMARK while avoiding the licensing process and related fees. During the initial implementation of RUGMARK Nepal, companies were permitted to become annual members at a cost of 5,000 Nepalese rupees, or about \$90, without first becoming licensees. Prospective licensees were placed in this status while awaiting or considering licensing. However, some companies that have declined the opportunity to become licensed have maintained, and attempted to gain publicity value from, their RUGMARK membership.

In Nepal, the RUGMARK Executive Director noted that the Foundation has a stock policy permitting producers to attach interim RUGMARK labels to accumulated carpet inventory once they become licensees.⁹⁶ This is done in conjunction with an agreement, reached in January 1997 among representatives of the various national foundations, to address importers' concerns that introduction of the RUGMARK label could render their other inventory unmarketable.⁹⁷ At that meeting, RUGMARK representatives agreed that licensed importers, exporters, and manufacturers would be permitted to request interim tags for carpets produced by RUGMARK licensees before they became licensed. These tags would contain the following text:

The manufacturer of this carpet is now a RUGMARK licensee and is entitled to use the RUGMARK label. This carpet was made before the RUGMARK program was available to the manufacturer. This label certifies that the manufacturer is a current RUGMARK licensee and is in compliance with RUGMARK's requirement that no illegal child labor be used in the production of carpets.⁹⁸

To date, none of these tags has actually been used.⁹⁹ However, there appears to be some confusion in Nepal regarding how this policy should be implemented, if

⁹³ The directors of both RUGMARK programs emphasized that all of the licensees' looms must be free of illegal child labor, even if some are used for non-RUGMARK production.

⁹⁴ Interview with A. C. Baranwal, East-West Imports, by U.S. Department of Labor official (June 10, 1997). Mr. Baranwal indicated that he suspected this was not an atypical practice among other exporters who were RUGMARK licensees.

⁹⁵ Netib is a RUGMARK-licensed factory; the same situation was seen at Potala Carpet (a member but no longer a licensee). Observation by U.S. Department of Labor official (June 8, 1997).

⁹⁶ Interview with Surendra Dhakal, Executive Director, RUGMARK Nepal, by U.S. Department of Labor official (June 5, 1997).

⁹⁷ Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (October 10, 1997).

⁹⁸ "RUGMARK Policy on Stock Carpets" (Washington, DC: RUGMARK-U.S.A, undated) [on file].

⁹⁹ Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (October 10, 1997); Electronic correspondence from Narayan Bhattarai, Inspection, Monitoring and Certification Program Supervisor, Nepal RUGMARK Foundation, to the U.S. Department of Labor (October 7, 1997) [on file].

necessary. A RUGMARK-U.S.A. representative stated that this issue would be discussed with RUGMARK Nepal officials to ensure they understand how the policy is to be implemented.¹⁰⁰

As noted earlier, RUGMARK requires that the contractors and subcontractors of licensees also abide by RUGMARK standards. Certain activities are commonly done off premises, e.g., wool-washing; spinning, dying, and dispensing of yarn; and clipping, binding, washing, and packing of carpets.¹⁰¹ While RUGMARK does monitor some off-loom activities, its officials acknowledge that these checks are not yet sufficient. The Executive Director of RUGMARK India conceded that more children are employed in these activities than RUGMARK is currently able to detect.¹⁰²

Site visits and conversations with inspectors underscored the challenges of monitoring carpet production for child labor. Age verification is difficult, particularly in the absence of official documents. RUGMARK Nepal inspectors always request workers to show their national identification card¹⁰³ or an official attestation of age from the home community. If these are not available, the burden of proof is on the worker. He or she may present circumstantial evidence of having reached the age of 14, such as underarm hair, a beaded necklace worn only by married women,¹⁰⁴ or the presence of a child of his/her own.

U.S. Department of Labor officials accompanied several RUGMARK inspectors in India. At one loomshed, the inspection team encountered a young-looking boy working at a two-person loom with an adult present. They made a rigorous effort to determine whether the boy was working illegally. The adult, claiming to be the boy's uncle, said he was 14 years old. The inspectors asked the boy a series of questions about his age, school attendance, and class level. They also asked him to bring his schoolbooks for inspection and to read from them to demonstrate he was at the appropriate level. Finally, they checked the palms of his hands for callouses.¹⁰⁵

Locating the looms reported by licensees can be difficult. In one Indian village, visited by a U.S. Department of Labor official with RUGMARK inspectors, the latter were unable to locate any of the looms or loom owners on the licensee's loom list.¹⁰⁶ Empty looms are another problem encountered during inspections, since it is difficult to discern whether a loom found empty during working hours is normally operated by an adult or a child.

¹⁰⁰ Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (October 10, 1997).

¹⁰¹ In some cases, these activities are done on site. During a site visit to RUGMARK-licensed facility in Nepal, a U.S. Department of Labor official observed both adults and children spinning yarn.

¹⁰² Interview with Major General S. Sondhi, Executive Director, RUGMARK India, by U.S. Department of Labor official (June 7, 1997).

¹⁰³ These identification cards are proof of adulthood, issued by the central government on request at age 16. But because birth certification is still relatively new, many workers do not have these identification cards.

¹⁰⁴ Nepalese law prohibits marriage before the age of 16, but this law is not enforced in rural areas.

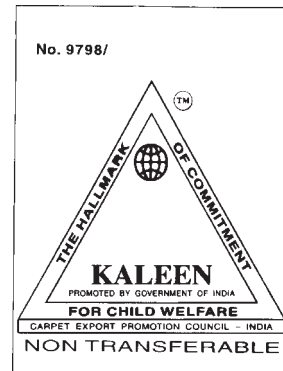
¹⁰⁵ Observation by U.S. Department of Labor official (June 11, 1997).

¹⁰⁶ This is a fairly common occurrence, since many individuals share the surname of their sub-caste and can only be identified with additional information such as their father's name.

3. The Kaleen Label

a. Program Overview

The Kaleen¹⁰⁷ labeling program was established in India in June 1995 by the Carpet Export Promotion Council (CEPC), a quasi-governmental body which oversees the mandatory registration of all Indian carpet exporters and issues export licenses.¹⁰⁸ The CEPC was established by the Indian Ministry of Textiles and is funded through direct grants from the Ministries of Textiles and Commerce and subscription income from industry members. As of mid-1997, the CEPC had over 2000 exporter members.



The CEPC established the Kaleen label and a Child Welfare Fund to address criticism concerning child labor, which was “creating hurdles” to the growth of the Indian carpet industry.¹⁰⁹ An ILO study notes that “the Kaleen program is intended to make Indian carpets more acceptable to foreign buyers, who have been wary of purchasing Indian carpets following the international publicity concerning child labor.”¹¹⁰ The study also notes that Kaleen may have been established as an intentional rival to the RUGMARK program.¹¹¹

The CEPC describes the Kaleen labeling system as having the following features:¹¹²

- Commitment of the exporters to eliminate child labor through a code of conduct and registration of looms;
- Registration of all carpet and dhurru looms in India by the exporters;
- Inspection of all registered looms by an independent agency and punitive action against defaulters;
- Collection from all exporters of a fee of 0.25 percent of carpet export value and proper utilization of funds by a monitoring agency; and
- Periodic review by the Steering Committee headed by the Development Commissioner (for handicrafts).

¹⁰⁷ “Kaleen” is the Hindi word for carpet.

¹⁰⁸ A “registration-cum-membership certificate” from the CEPC is now required in order to obtain an export license. American Embassy-New Delhi, unclassified telegram no. 3876 (April 15, 1997).

¹⁰⁹ *Annual Report, 1995-96* (New Delhi: Carpet Export Promotion Council, 1996) 4 [hereinafter CEPC Annual Report].

¹¹⁰ ILO Labeling Report at 49.

¹¹¹ *Id.*

¹¹² CEPC Annual Report at 4.

According to CEPC promotional material, the label signifies that “the user is abiding by the Code of Conduct adopted by the Carpet Export Promotion Council for the eradication of child labour.”¹¹³ This code requires that exporters and manufacturers ensure that “no child labour prohibited by the Child Labour Act of 1986 is employed in their premises,” and that all carpets woven for them be produced on registered looms. Although the Child Labor Act of 1986 prohibits the employment of children below the age of 14 in carpet-weaving, it exempts children working with their families, whether or not they attend school. The CEPC code does not address the employment of children in contractor or subcontractor facilities.

The Kaleen label, printed in blue, pink and white, is made of paper with a self-adhesive backing. It consists of the Kaleen logo — a triangle with an inscription along the edges stating “The Hallmark of Commitment for Child Welfare,” and “promoted by the Government of India, Carpet Export Promotion Council.” Each label has two numbers denoting the fiscal year and a sequential serial number referring solely to the sequence in which the label was issued. Labels are sent directly to the requesting exporters and may be placed anywhere on the back of carpets.

As of May 30, 1997, 572,000 Kaleen labels had been issued to 219 CEPC members, roughly 10 percent of total membership.¹¹⁴ According to CEPC officials, most of these carpets were exported to Germany and Scandinavia.¹¹⁵

b. Program Structure

The Indian Government has stated the Kaleen label will be used on all carpets exported from India.¹¹⁶ A CEPC promotional brochure conveys two different impressions, in one instance stating that “*each* carpet exported from India carries the Hallmark of Commitment” (the logo of the Kaleen label), but later stating that labels are only issued to exporters who meet all eligibility criteria.¹¹⁷ In interviews with U.S. Department of Labor officials, CEPC officials described the use and issuance of Kaleen labels as strictly voluntary and contingent on fulfillment of eligibility criteria.¹¹⁸

According to the “Terms and Conditions for Issuance of Kaleen Label,” exporters must meet all of the following standards in order to obtain and use Kaleen labels:¹¹⁹

- They must possess a valid “registration-cum-membership” certificate;

¹¹³ “Kaleen My Future,” Carpet Export Promotion Council at 5 [on file] [hereinafter Kaleen My Future].

¹¹⁴ “Details of Kaleen Labels Sold as of June 15, 1997,” Carpet Export Promotion Council, [on file].

¹¹⁵ Interviews with CEPC officials: T. S. Chadha, Executive Director and Secretary; O. P. Garg, Chairman; and V. R. Sharma, First Vice Chairman, by U.S. Department of Labor official (June 2, 1997).

¹¹⁶ *International Child Labor Hearing*, U.S. Department of Labor (June 28, 1996)(Written statement of the Government of India, Annexure VII).

¹¹⁷ Kaleen My Future.

¹¹⁸ Interviews with CEPC officials: T. S. Chadha, Executive Director and Secretary; O. P. Garg, Chairman; and V. R. Sharma, First Vice Chairman, by U.S. Department of Labor official (June 2, 1997).

¹¹⁹ *Terms and Conditions for Issuance of Kaleen Label*, CEPC Circular No. CEPC/Cess/Label/95 (July 26, 1995) Annexure III [hereinafter CEPC Circular].

- They must submit a bank or accounting statement giving the value of exports, and must have in the previous quarter paid a 0.25 percent levy on that value to the Child Welfare Fund;
- They must submit details of the sources of production for carpets, including the addresses of the looms on which they have been woven;
- They must undertake to abide by the CEPC's code of conduct;
- They must submit an affidavit stating that no illegal child labor is being used in the production of carpets; and
- They must be informed that if an exporter is found to be violating any of the above terms and conditions, or the code of conduct, her/his application will be rejected.

Some of these criteria are mandatory for all CEPC members, whether or not they choose to use the Kaleen label. For example, as of July 1995, all CEPC members are required to pay 0.25 percent of carpet export value each quarter into the CEPC-administered Child Welfare Fund.¹²⁰ The CEPC also requires all applicants for an export license to register their looms, a process they consider “basic to enforcing non-use of child labour.”¹²¹ CEPC members may be de-registered if they fail to contribute their quarterly payments into the Child Welfare Fund,¹²² if they are found guilty of violating the terms of the code of conduct on three occasions, or if they are found to be selling carpets from non-registered looms.¹²³ Individual looms may also be de-registered by the CEPC if, during inspection, illegal child labor or other labor law violations are found.¹²⁴ Members wishing to use the Kaleen label are charged a very nominal fee that defrays the cost of the label.

c. Program Implementation

CEPC officials argue that it is impossible to guarantee that a carpet has been produced without child labor given the difficulties of monitoring a decentralized and geographically dispersed industry.¹²⁵ The CEPC code of conduct states that it is the responsibility of each member to ensure no illegal child labor is employed on their

¹²⁰ Id.

¹²¹ “Kaleen,” My Future at 3.

¹²² Letter from T. S. Chadha, Executive Director *cum* Secretary, CEPC, to all members (July 7, 1995) [on file].

¹²³ A “show of cause” notice would first be issued to the member requesting an explanation, and CEPC registration could be revoked if the explanation proved unsatisfactory.

¹²⁴ American Embassy-New Delhi, unclassified telegram no. 3876 (April 15, 1997). The CEPC provided the U.S. Department of Labor with a list of the 69 CEPC members whose cases had been brought before that entity’s Administrative Council for violation of the code of conduct or misrepresentation in the registration process. Six of these 69 members had been de-registered by the CEPC. According to CEPC policy, the export licenses of these members should be revoked upon de-registration. However, prior to the acquisition of this list, a U.S. Department of Labor official actually toured the finishing plant and warehouse facilities of one of the de-registered exporters — Om Carpet Industries, also a RUGMARK licensee — who appeared to be at that time engaged in export activities (June 10, 1997).

¹²⁵ Interviews with CEPC officials: T. S. Chadha, Executive Director and Secretary; O. P. Garg, Chairman; and V. R. Sharma, First Vice Chairman, by U.S. Department of Labor official (June 2 and 16, 1997).

premises and that all work is done on registered looms. Compliance with the CEPC code of conduct and the registration requirement is self-monitored, with inspections of a small share of the loom sites by an outside organization.

A private-sector research and consulting firm, the Academy of Management Studies (AMS), conducts regular loom inspections on behalf of the CEPC. One of the key functions of these inspections is to ensure that looms used in production are registered. The AMS is under a three-year renewable contract to the CEPC to randomly inspect 10 to 11 percent of looms on the lists submitted by members. The AMS inspectorate's activities are funded by the Indian Government. According to the CEPC 1995-96 annual report, 400,000 rupees (approximately \$11,400) were spent on loom surveillance activities for the six month period ending on March 31, 1996.

d. Findings from Site Visits

During a site visit to India, the Department of Labor gathered further information on the implementation of the Kaleen program. Although CEPC officials argue that it is not possible to guarantee child labor-free production given the difficulties of monitoring the Indian carpet industry, they have stepped up their monitoring efforts by employing the services of AMS. The on-the-ground presence of AMS inspectors and possibility of inspection are probably raising the awareness of CEPC members regarding the child labor issue. These inspections, however, only cover about 10 percent of registered looms. The CEPC has also increased its child welfare efforts and has been successful in collecting a significant amount of funds from its members. Obligation of these funds to projects, however, has been slow.

AMS inspectors have had difficulties locating registered looms. During the first year of inspections under the Kaleen program (October 1995 through October 1996), AMS attempted to inspect about 9,400 registered looms in 360 villages, or 11 percent of looms registered with the CEPC at that time. Over 2,000, or 22 percent, of these looms were either reported to have been sold or could not be located by the inspectors. Of the remaining looms, 43 percent were found to be idle.

The AMS currently deploys six two-person inspection teams.¹²⁶ The teams conduct inspections on bi-weekly rotations, typically visiting 20 to 40 looms per day in two to five villages, depending on the distances involved.¹²⁷ At each site, inspectors are required to fill out a two page inspection form requesting details on CEPC registration, details of the carpet being produced, the names and ages of the loom owners and weavers, and their relationships to the head of the family.¹²⁸

¹²⁶ The CEPC's Executive Director informed a U.S. Department of Labor official that the program would be adding up to 24 inspectors by September 30, 1997 to verify that all reported looms had actually been registered. Interview with T. S. Chadha, Executive Director, CEPC, by U.S. Department of Labor official (June 16, 1997).

¹²⁷ Interviews with A. K. Dwivedi, Director of AMS, and two members of an inspection team by U.S. Department of Labor official (June 9, 1997).

¹²⁸ The U.S. Department of Labor was provided copies of the inspection form in Hindi and in English. The forms are geared towards the type of household production that predominates in Eastern Uttar Pradesh state, but also request information, as appropriate, on hired workers who are brought in from localities outside the village [on file].

During its first year of inspections, AMS found approximately 8,300 weavers working on the roughly 4,300 active looms. It reported that just 44 percent of these workers were hired labor; the remainder were family members. Of the 2.6 percent of the weavers (217) who were under 14, about half were family members. Since these workers are not considered illegal under Indian law, a total of 1.2 percent of workers (about 100) were considered illegal child labor. AMS was unable to distinguish between full- and part-time child labor.¹²⁹

A U.S. Department of Labor official witnessed an AMS inspection in the village of Machwan, near Mirzapur. In this village — but none of three others visited — several of the looms had registration certificates posted, as required by the CEPC. The inspecting team asked to see work orders for the carpets on the looms and informed weavers of the requirement that registered looms be free of illegal child labor.

The CEPC provided detailed information regarding the collection of export fees from its members. These data show that during the first two years of the Child Welfare Fund's existence, a total of 17.4 million rupees (slightly less than a half-million dollars) were collected. Fee collection during the first year (13.6 million rupees) was almost four times greater than during the second year (3.8 million rupees). The CEPC confirms that members have been resisting paying this levy. According to the CEPC, if all members were paying the fee, 45 million rupees (close to \$1.29 million) would be collected annually. In fact, just over 12 percent of all members have consistently paid the fee.

Those funds that have been collected remain largely unutilized. Of the 17.4 million rupees (approximately \$500,000) collected for the Child Welfare Fund to date, CEPC has spent 6.3 percent, or 1.1 million rupees (\$31,400) on child welfare activities. An additional 1.4 percent — a quarter of a million rupees (\$7,100) — was spent on advertisements for the Kaleen label. In addition to these expenditures, the CEPC's 1995-96 annual report details expenditures out of a Child Labour Fund which appear to be primarily for export publicity abroad. CEPC spent 3.8 million rupees (\$108,600) on this item during that year. According to the CEPC's Executive Director, expenditures have lagged income generated by the fees because of the need to assess applicant NGOs' competence to carry out proposed projects.¹³⁰

Most of the 1.1 million rupees the CEPC has spent to date on child welfare activities has focused on non-formal educational programs.¹³¹ CEPC states that it is currently providing funding for twelve schools, though it is seldom the sole source of funding.

¹²⁹ Interview with A. K. Dwivedi, Director of AMS, by U.S. Department of Labor official (June 9, 1997).

¹³⁰ Interview with T. S. Chadha, Executive Director, CEPC, by U.S. Department of Labor official (June 16, 1997). The CEPC currently has 24 applications in the pipeline from NGOs interested in running such programs. It estimates that a center serving 48-50 children requires annual funding of about 187,000 rupees.

¹³¹ CEPC grants have gone to four NGOs: Project Mala (380,000 rupees), The Center for Rural Education and Development Action (CREDA) (280,000 rupees), the Child Labor Eradication and Welfare Society (226,000 rupees) and the Bonded Labor Liberation Front (187,000 rupees).

Most CEPC-funded centers provide children with a mid-day meal and a 100 rupee (about \$2.90) monthly stipend — the two largest expenditure items in the annual budget for these schools. A U.S. Department of Labor official visited Project Mala in the village of Amoi, where CEPC is currently funding two centers.¹³² Project Mala provides three years of non-formal and vocational education, along with medical check-ups, one free meal a day, and, until recently, the monthly stipend. Mala found that when it disbursed the stipend directly to a child's parents, they used the money to retire family debt or for other purposes, rather than to further the educational or vocational prospects of their child. Therefore, as of June 1997, Project Mala terminated the stipend and began placing the monthly funds into a special account for each student. After three years in the program, the children will apply to use these accumulated funds. They will receive a 3,600 rupee lump sum (about \$103) for projects such as start-up capital for entrepreneurial activities, including the purchase of a sewing machine, or continuing education.

In addition to the non-formal day schools, the CEPC is considering a proposal to establish a boarding school facility for 30 former bonded child laborers. The executive director told a U.S. Department of Labor official that in the future, CEPC hopes to be the sole funder of school programs.

4. STEP Foundation for fair conditions in carpet production and carpet trade

a. Program Overview

The STEP Foundation for fair conditions in carpet production and carpet trade was established in Switzerland in October 1995.¹³³ It is a joint initiative of the Swiss Association for a Clean Oriental Carpet Trade (IGOT) — an industry group — and five NGOs.¹³⁴ STEP, which is an abbreviation for “Stiftung für gerechte Bedingungen in Teppich-Herstellung und Handel” (Foundation for fair conditions in carpet production and carpet trade), also signals the way this program professes to proceed: “slowly but thoroughly, ‘step by step.’”¹³⁵



Program founders contend that removal of children from carpet production hinges on the ability of their parents to support them. The program therefore targets work and health conditions of all carpet workers, adults as well as children. STEP founders also contend that ultimate responsibility for alleviating exploitative working conditions rests with those who purchase and sell hand-knotted carpets.¹³⁶ While

¹³² Two other centers are scheduled to open during the 1997-98 fiscal year; another one in Amoi, and one in the village of Patehra. CEPC is one of six funders for Project Mala; the others include the ILO, foreign-based foundations and NGOs, as well as the Ministry of Labor of the Government of India.

¹³³ ILO Labeling Report at 59.

¹³⁴ These NGOs are: Bread for the World, Caritas Switzerland, Swiss Lenten Fund, Swissaid, and Berne Declaration. Bread for the World headed up the initial media campaign in Europe regarding child labor in the carpet industry.

¹³⁵ Letter from Geraldine Zeuner, STEP Foundation official, to U.S. Department of Labor (July 25, 1997) [hereinafter Geraldine Zeuner].

¹³⁶ Interview with Barbara Maibach, STEP representative in Nepal, by U.S. Department of Labor official (June 6, 1997). See also ILO Labeling Report at 60.

child labor is a motivating force behind this program, so too are environmental concerns and improving general working conditions in the hand-knotted carpet industry.

The STEP program seeks to promote voluntary responsibility on the part of both producers and importers. Unlike RUGMARK and Kaleen, the STEP program provides a label to companies, not individual carpets. STEP standards encompass a broad range of labor and environmental issues; not solely child labor. The Foundation approves the business ethics of specific importers and retailers by means of STEP licensing agreements, which authorize them to use the STEP logo in their publications and advertising. In turn, STEP maintains a register of approved suppliers that meet its ethical guidelines.

The STEP program is administered through its office in Berne, Switzerland (STEP/Europe). The STEP Foundation council, comprised of representatives of the six founding organizations, meets quarterly and controls the program activities. STEP programs exist in India, Nepal, and Pakistan, and preparations are underway to establish programs in Iran, Morocco, Egypt and Turkey.¹³⁷ There are currently two STEP representatives in Nepal and one in India.

b. Program Structure

The STEP Foundation seeks “to increase market opportunities for responsible and transparent businesses; enable better working conditions and remuneration for adult workers; provide positive exposure for producers and importers respecting proper working conditions; promote progressive elimination of abusive child labor as part of fair working conditions; support alternative income for families to reduce pressure on children; support educational programs, both for children and for illiterate adults; and provide countrywide monitoring and verification of STEP standards.”¹³⁸

It pursues these objectives using the following four tools:

- education and lobbying of consumers and relevant authorities;
- a code of conduct specifying acceptable production conditions and business practices, to be signed by importers and retailers;
- independent monitoring in the countries of production; and
- financial support for development and rehabilitation programs.¹³⁹

¹³⁷ Electronic correspondence from Werner Dick, Executive Secretary, STEP Foundation, to U.S. Department of Labor (August 6, 1997) [on file].

¹³⁸ Fax letter from Werner Dick, Executive Secretary, STEP Foundation, to U.S. Department of Labor (April 11, 1997) [hereinafter Letter from Werner Dick].

¹³⁹ Id.

The STEP code of conduct, covering all hand-knotted carpets sold by license holders, is an agreement between the licensee and the STEP program itself.¹⁴⁰ Importers and retailers who sign this code agree to take certain steps to improve conditions in the industry:¹⁴¹

- to respect socially just, economically fair and ecologically sound STEP standards in all their market operations (minimum wages, proper working conditions and ecological production methods, based on national laws and ILO conventions);
- to pay producers a fair price for their product, providing fair wages to weavers and laborers and promoting carpet production without abusive child labor;
- to actively fight abusive child labor;
- to enforce the above commitments with their commercial partners, e.g., importers, exporters in the country of origin and with local producers/manufacturers; and
- to keep their business transactions transparent and be held accountable at any time to the independent monitoring and verification body nominated by STEP.

Licensees are permitted to use the STEP logo to advertise their participation in the program. This logo contains the word STEP superimposed on a Chinese symbol for long life, often found on Chinese carpets.¹⁴² The logo contains no written information about the STEP program. Rather than appearing on individual carpets, it is displayed on licensees' showroom windows, in their advertisements, and on items such as stationary and business cards. The logo is intended to signal that the bearer is attempting to implement STEP-established employment and environmental standards by importing carpets only from STEP-registered producers, i.e., those whose labor and environmental practices have been inspected and approved by Foundation representatives.¹⁴³

To obtain a STEP license, importers and retailers must first obtain the recommendation of two existing STEP license holders. They must also sign the STEP Foundation code of conduct discussed above.¹⁴⁴ In considering prospective licensees, the Foundation also takes into account the views of the in-country STEP representatives.

In carpet-producing countries, producers and exporters may participate in the STEP program through inclusion on the STEP register. When an importer applies

¹⁴⁰ Geraldine Zeuner at 2.

¹⁴¹ STEP Foundation code of conduct [on file].

¹⁴² Geraldine Zeuner at 2.

¹⁴³ Id. at 3.

¹⁴⁴ Letter from Werner Dick at 2.

for a STEP license, all producers and suppliers doing business with the company are required to be on the STEP register. Each supplier must be identified, contacted, advised of, and inspected for compliance with STEP standards.¹⁴⁵ Registered carpet manufacturers and their subcontractors must agree to allow regular, unannounced inspections by STEP and/or affiliated NGOs.

STEP's administrative and social program costs are primarily paid by European licensees. Although the six founding organizations provide leadership, their financial contributions are relatively minor. The Swiss Federal Department of Foreign Economic Affairs has provided some start-up funds for the program's first five years of operation, to be supplemented by STEP members' contributions. STEP-licensed importers and retailers are expected to pay a fee of four Swiss francs (about \$2.40) per square meter for every carpet sold. These funds pay for visits to carpet manufacturing sites, public relations, and support of developmental projects.¹⁴⁶ Participating manufacturers are not required to pay fees.¹⁴⁷

c. Program Implementation

As of July 1997, there were a total of 11 STEP license-holding importers in Switzerland representing 22 percent of the Swiss carpet trade. The STEP register now includes 16 carpet suppliers in India, 8 in Nepal, 5 in Pakistan, 2 each in Morocco and Turkey, and 1 in Egypt.¹⁴⁸

The Indian and Nepalese programs became operational in the spring of 1996. There is no local STEP representative in Pakistan, where monitoring of STEP producers is being handled by the Democratic Commission for Human Development, a local NGO. Although a few producers in Morocco, Egypt and Turkey are now listed on the STEP register, there are no STEP representatives in these countries. According to a STEP Foundation official, possible monitors have been identified in Morocco and Egypt, and production is currently being looked after from Germany. The STEP Foundation plans to make direct visits to producer facilities in Turkey.¹⁴⁹

In India, a single STEP representative is currently responsible for oversight of the entire program, while in Nepal there are two. These representatives are personally responsible for monitoring as well as a variety of other functions, such as: establishing "fair wage" standards; forging relationships with producers and NGOs; seeking media coverage; helping support social service projects; and keeping the Berne office apprised of new developments.

A STEP Foundation official says that license applicants are pre-screened through the recommendations of existing members. In two cases, applicants in importing

¹⁴⁵ ILO Labeling Report at 61.

¹⁴⁶ Geraldine Zeuner at 2.

¹⁴⁷ Id.

¹⁴⁸ Electronic correspondence from Werner Dick, Executive Secretary, STEP Foundation, to U.S. Department of Labor (August 7, 1997) [on file].

¹⁴⁹ Electronic correspondence from Werner Dick, Executive Secretary, STEP Foundation, to U.S. Department of Labor (September 17, 1997) [on file].

countries were refused licenses due to bad references. Suppliers who are found to be employing children are removed from the STEP register.¹⁵⁰

A recent ILO study noted that the STEP program relies heavily on the integrity of licensed retailers. The study notes that a STEP-licensed retailer could stock carpets from other producers alongside carpets imported from STEP-approved suppliers, with the store's STEP license "labeling" the entire stock by implication. This was found to be occurring in at least one STEP-licensed Swiss business.¹⁵¹

d. Findings from Site Visits

During site visits to India and Nepal, U. S. Department of Labor officials gathered further information on the STEP program's activities. The STEP office in Kathmandu has run a number of workshops to publicize its environmental and child labor concerns and has also funded two welfare projects. The STEP representative in Nepal stated that it has been difficult to attract reporters or carpet producers to these events because of limited resources for advertising and the fact that so many non-affiliated NGOs are already focusing on the same issues. Ironically, sensitivity to child labor issues is now so widespread that STEP Nepal feels that it risks being considered "just one more of those organizations."¹⁵² STEP Nepal has no rehabilitation program for former child carpet weavers. However, it has provided funds for two related projects. One STEP-registered factory was given financial support to set up a day care center for the children of single women working in the factory. Funds were also given to a health education and AIDS prevention program for women in the carpet industry of Kathmandu.¹⁵³

In India, the STEP Foundation's highest priorities to date appear to be social support, education and the environment. The STEP representative in Mumbai (formerly Bombay) contends that the solution to the problem of child labor in the carpet industry lies in providing schooling for children and skills training for adults, particularly women.¹⁵⁴ STEP India will soon be responsible for two schools in the carpet belt, each serving 50 children. Labor and land to build one of these schools is being donated by the villagers themselves. The second school was initially founded by a three-year ILO-IPEC grant and will now be taken over by STEP. Although STEP India will provide funds and oversight for these schools, their actual operation will be handled by the Center for Rural Education and Development Action, an Indian NGO.¹⁵⁵ STEP India also plans to operate a women's weaving and literacy training center, and reportedly is sponsoring a community development project in Bihar to help parents keep their children out of the carpet industry.¹⁵⁶ STEP India also sponsored a workshop focusing on reducing pollution in the carpet industry.

¹⁵⁰ Electronic correspondence from Werner Dick, Executive Secretary, STEP Foundation, to U.S. Department of Labor (August 6, 1997) [on file].

¹⁵¹ ILO Labeling Report at 63.

¹⁵² Interview with Barbara Maibach, STEP Representative in Nepal, by U.S. Department of Labor official (June 6, 1997).

¹⁵³ "Health Education and AIDS Prevention in Kathmandu, Nepal," *STEP Info-* (Berne: STEP Foundation, July 1996) 3. See also ILO Labeling Report at 62.

¹⁵⁴ Telephone interview with Manju Vira Gupta, STEP Representative in India, by U.S. Department of Labor official (June 16, 1997).

¹⁵⁵ Id.

¹⁵⁶ ILO Labeling Report at 62.

STEP program literature contends that monitoring of carpet production is a key element of this program. In Nepal, STEP has established working relationships with eight registered suppliers. The two STEP representatives make unannounced visits to factories once or twice per month. During these visits they look for environmentally irresponsible practices and/or the presence of working children.¹⁵⁷

The STEP Nepal representative reports that during her first year with the program no children were seen in the factories visited. She expressed some skepticism about reports that there are large numbers of child weavers in the Nepalese industry. Noting that the owners of many large Tibetan carpet factories are Buddhists, she expressed a belief that personal ethics prevented these manufacturers from employing children. However, the representative noted that most of the STEP-registered factories in Nepal are relatively large. STEP has not had access to smaller production sites where child labor could be more prevalent.

STEP India is not monitoring the production processes of STEP-registered Indian manufacturers. According to the STEP India representative, “We must not talk about monitoring and verification — we can’t even think of this.”¹⁵⁸ She indicated that there is a gap between conceptualizing this sort of scheme in Berne and actually implementing it in India. She contends that it is not possible to monitor such a decentralized industry where all production is sub-contracted, from weaving to washing, clipping, and finishing.¹⁵⁹ Indeed, this is a principal reason she considers product labeling an ineffective strategy: “the exporter/producer has no link to the loom, and the contractor can shift allegiances to different exporters.”¹⁶⁰ According to the STEP India representative:

Both RUGMARK and Kaleen face similar problems of difficulty in inspection by reliable, incorruptible inspectors; voluntary disclosures and signed declarations or affidavits by exporters forming the basis for registering of the looms; and inability to do regular follow-up once a label has been given. The wide geographical spread and decentralized nature of production poses many problems for effective monitoring.¹⁶¹

The STEP India representative offered a number of suggestions about other strategies to combat child labor. These include the establishment of village “vigilance” committees with ombudsmen to inspect local looms and encourage school attendance and the establishment of centralized loom sheds, where monitoring would be easier.¹⁶²

¹⁵⁷ Environmental issues receive a high priority. Water pollution and depletion have become serious problems in the Kathmandu valley as a result of the concentration of the carpet industry in that region.

¹⁵⁸ Telephone interview with Manju Vira Gupta, STEP Representative in India, by U.S. Department of Labor official (June 16, 1997).

¹⁵⁹ Telephone interview with Manju Vira Gupta, STEP Representative in India, by U.S. Department of Labor official (June 6, 1997).

¹⁶⁰ Id.

¹⁶¹ Manju Vira Gupta, *A Situational Analysis and Strategies to Combat Child Labour in the Carpet Industry in India* (Bombay: June 1997)10 (unpublished manuscript) [on file] [hereinafter Gupta].

¹⁶² Gupta at 11.

The STEP code of conduct commits licensees to pay a fair price for carpets that will allow “fair wages for weavers.” Country representatives are left to determine what constitutes a fair wage, and to discern what share of the manufacturer’s wage bill actually reaches the weavers instead of being confiscated by subcontractors. In Nepal the term “fair wage” is taken to mean the prevailing wage.

5. Care & Fair - Carpet Trade Against Child Labor

a. Program Overview

Care & Fair is a Hamburg-based association of German carpet trade professionals founded in September 1994 in response to adverse publicity concerning child labor in the industry. According to the association’s by-laws, its purpose is to support the economic interests and image of the carpet importers and retailers by conducting public relations work and supporting projects to create better living conditions for children in carpet-producing areas.¹⁶³



Like the STEP program, Care & Fair is a company certification program rather than a product-labeling initiative. Care & Fair/Europe now has nearly 600 members, including carpet and furniture retailers, carpet importers, and wholesalers. While most of its members are German companies, Care & Fair also has members in the United Kingdom, the Netherlands, and Luxembourg.¹⁶⁴ Care & Fair/India and Care & Fair/Nepal are reported to have 102 and 28 members, respectively.

Membership in Care & Fair “is based on moral responsibility and voluntary commitment.”¹⁶⁵ The Association does not attempt to inspect the operations of member companies or guarantee that the carpets they handle are child labor-free. The Secretary General of Care & Fair, who is also president of the German carpet importers’ association, notes, “We do not guarantee the non-use of child labour due to our conviction that it is really impossible to monitor 280,000 looms (i.e., in India) spread over 100,000 square kilometers.”¹⁶⁶ Instead, the program advertises that its members have obligated their carpet suppliers to honor the terms of Care & Fair’s Statement of Demands, a code of conduct which includes eliminating child and bonded labor and contributing to health and education programs for carpet workers and their families.

Members may purchase Care & Fair advertising and demonstration materials confirming their membership in the association and explaining its purpose. These materials bear the Care & Fair logo, a mosque-shaped design depicting two smiling children who appear to be riding on a flying carpet. The words “CARE & FAIR” are displayed in large, colorful letters below the carpet. The words “Aktion Gegen Kinderarbeit” (“Action Against Child Labor”) form an arch over the children’s heads,

¹⁶³ *Rules* (Hamburg: Care & Fair/Europe, undated) Article 1.3 [hereinafter *Rules*].

¹⁶⁴ Membership list and letter from Klaus R. Beekmann, Secretary General, Care & Fair, to U.S. Department of Labor (July 18, 1997) [on file][hereinafter *Beekmann letter*].

¹⁶⁵ *Rules*, Article 2.3.

¹⁶⁶ *Beekmann letter*.

and the expression “For Children’s Welfare” is written below the program name. On some advertising materials, the German text indicates that the bearer is an agent of Care & Fair, an association against child labor in the carpet industry. Others express the notion that buying a carpet from this dealer is an act of development-aid, since part of the price will be spent on social measures in the country of origin.¹⁶⁷

Members may place the logos anywhere but on the carpets themselves. Like the STEP Foundation, Care & Fair is an outspoken opponent of product labeling: “...the carpet trade rejects any label on a single carpet generally. It is a fact that one carpet with a label will bring into discredit all carpets without labels...”.¹⁶⁸ By providing company endorsements, Care & Fair validates members’ entire inventory.

b. Program Structure

In Europe, Care & Fair is run by an eleven-member advisory board consisting of two NGO representatives and nine members of the carpet trade. Care & Fair/Europe has set up autonomous associations in India and Nepal to monitor projects in those countries. Care & Fair/Pakistan is in the process of being established.

Care & Fair maintains a substantial developmental fund to sponsor a variety of social programs aimed at bettering the living conditions of carpet workers and their families. Members (importers and retailers) pay an annual fee of 250 German marks (about \$125) plus one percent of the import value of all oriental carpets they import, directly or indirectly, from India, Nepal and/or Pakistan.¹⁶⁹ Membership must be renewed annually.¹⁷⁰ The Care & Fair programs in India and Nepal are funded through a separate fee of 0.25 percent of export value levied on exporters and manufacturers. Care & Fair literature indicates that fees paid by importers, retailers, exporters and manufacturers are passed on to consumers, “who will pay one to three percent more for the carpets in the end.”¹⁷¹

Care & Fair members must include the association’s Statement of Demands, or code of conduct, in all purchasing contracts with suppliers. Through this code, the importer requires suppliers to immediately abolish any existing bonded labor and agree “to undertake not to produce or to supply carpets which have been manufactured using illegal child labor.” In addition, producers and suppliers must agree to manufacture carpets under humane working conditions, pay at least the minimum wage, and observe other prevailing national employment laws and regulations. Moreover, they must provide basic medical care for workers and their families and ensure that children of carpet workers have access to regular schooling. If there are

¹⁶⁷ Memorandum from Klaus R. Beekmann, Secretary General, Care & Fair, to U.S. Department of Labor (July 17, 1997) 2 [on file] [hereinafter Beekmann memorandum].

¹⁶⁸ *Id.* at 1.

¹⁶⁹ According to Mr. Beekmann, Care & Fair is lobbying the European Union to institute a two percent fee on all carpets imported into Europe, regardless of the country of origin, to be used for further projects in carpet-producing countries. Fax letter from Klaus R. Beekmann, Secretary General, Care & Fair, to U.S. Department of Labor (September 1, 1997) [on file].

¹⁷⁰ Individuals and organizations who are not involved in the carpet trade can become supporting members of Care & Fair, provided they also pay the same annual fee.

¹⁷¹ Beekmann memorandum at 2.

no public schools, “producers/suppliers [must] undertake to promote school building and foster the educational system.” Although Care & Fair staff do not monitor production sites, the Statement of Demands states: “Producers/suppliers agree that purchasing conditions can also be examined with the assistance of aid organizations,” presumably at the buyer’s discretion.¹⁷²

c. Program Implementation

Care & Fair has no system for monitoring carpet producers’ compliance with the association’s Statement of Demands. Rather, members are expected to exert influence on their own suppliers to “induce them to take measures against the abuse of child labor.”¹⁷³ The Secretary General of Care & Fair notes:

Care & Fair as an association does no official monitoring as it is, in our view, a waste of time and money. Each of our more than 400 members who are professional carpet buyers visits India and/or Nepal/Pakistan several times every year. All of them have an intimate knowledge of factories, villages, loom holders and so on. As experts they really perform better monitoring than a dozen of employed and possibly corruptible inspectors ever can do.¹⁷⁴

Members are expected to inform the association when cases of illegal child labor are found.

Like the STEP program, Care & Fair maintains a register. However, the Care & Fair register is a list of producers to avoid, rather than a positive list of approved businesses from which to buy. Implicitly, members may purchase carpets from any producer not included on this list. According to the Statement of Demands, which is signed by buyers and suppliers as part of their purchasing contracts, suppliers are held liable for any violations of its provisions. Their failure to comply with these terms gives the purchaser the right to withdraw from the contract immediately and demand compensation for breach of contract.¹⁷⁵

Care & Fair has collected substantial sums of money for its economic development fund. During 1995, the program’s first year of operation, the fund received about 1.4 million German marks (about \$700,000) from its 350 retailers and their 1000 retail outlets.¹⁷⁶ Care & Fair estimates that the present one percent levy on imports could bring in as much as 8 million German marks (\$4 million) per year.¹⁷⁷

Much of the funds collected to date remain unallocated, however, a point discussed in further detail below. Nonetheless, Care & Fair has provided financial support to 35 developmental projects in India and Nepal.¹⁷⁸ Care & Fair is also

¹⁷² “Supplementary Purchasing Conditions (Statement of Demands)” (Hamburg: Care & Fair, undated) 1 [hereinafter Supplementary Purchasing Conditions].

¹⁷³ “Declaration of Membership” (Hamburg: Care & Fair, undated) 1.

¹⁷⁴ Beekmann letter.

¹⁷⁵ Supplementary Purchasing Conditions.

¹⁷⁶ *Care & Fair Magazine* (Hamburg: Care & Fair Foundation, January 1997) 1.

¹⁷⁷ *Id.* at 2.

¹⁷⁸ Beekmann letter.

supporting one school in Pakistan. Most of its projects are schools, health care clinics, or hospitals. In a few cases, Care & Fair appears to provide complete funding of facilities; in most it provides only a portion of funding. Examples include a Care & Fair clinic, which can treat up to 120 patients a day in Jorpatti, India and a day-care center for children of carpet workers in Kathmandu. Care & Fair also finances student lunches, equipment, uniforms and/or scholarships at schools, and the salaries of doctors at clinics and hospitals.

d. Findings from Site Visits

U.S. Department of Labor officials did not visit Care & Fair projects or members' production facilities in India or Nepal. In Varanasi and Mirzapur, both in the carpet belt of Uttar Pradesh in India, a U.S. Department of Labor official observed Care & Fair billboards displaying the organization's logo and conveying information to carpet manufacturers about child labor and Care & Fair's programs.

The billboards state the following:

Care and Fair stands for:

- Elimination of child labor from the Indian Carpet Industry;
- Put an end to the curse of child labor in carpet weaving;
- Provide an opportunity to the children of carpet workers for schooling;
- Ensure medical care for carpet workers and their families.

The billboards also request carpet manufacturers and exporters to note the following:

- use of child labor in carpet making is illegal and a punishable offense;
- use of child labor is not in the interest of carpet exporters themselves, since carpet trade in the world would not accept such carpets; and
- carpet manufacturers have responsibility for the education and welfare of workers.

A Department of Labor official was able to speak to Care & Fair's Honorary Secretary in India, who is also a carpet exporter and RUGMARK licensee. According to him, Care & Fair's main projects in India focus on providing health care and schools. He noted that technical and administrative difficulties have prevented Care & Fair from utilizing some of the funds currently on hand. India's strict regulation of foreign contributions has left 5 million German marks (\$2.5 million) sitting in a fund in Germany awaiting transfer to India. Moreover, some of the funds successfully transferred to India are still sitting unused in a bank.¹⁷⁹

¹⁷⁹ Interview with A. C. Baranwal, Honorary Secretary, Care & Fair, by U.S. Department of Labor official (June 10, 1997).

The Care & Fair Honorary Secretary stated that three hospitals in India are currently receiving funding from Care & Fair, with two more under construction. Two schools receive funding, one of which is part of Project Mala, which offers non-formal and vocational education to children in the carpet belt and also receives funding from the Kaleen program.

6. Other Carpet Labeling Efforts

This section describes other efforts to label carpets with information regarding child labor. These efforts include programs that are still under development and labels used by individual companies.

In April 1996, the Export Promotion Bureau of the Government of Pakistan placed an advertisement in various newspapers announcing its intent to “establish a ‘rugmark’ for certification of child labor-free manufacture of hand-knotted carpets.” The advertisement asked that “highly reputed organizations having expertise in this field” contact the Export Promotion Bureau with their credentials. In October 1996, the Export Promotion Bureau established a Child Care Foundation to select a certification system for carpets and other export goods (sporting goods and surgical instruments) and initiate welfare and certification programs for child laborers employed in these industries.¹⁸⁰ The Foundation’s board of governors includes representatives from the Government of Pakistan, the Pakistan Carpet Manufacturers Export Association (PCMEA), UNICEF, and human rights NGOs.¹⁸¹

At the time research for this report was completed, the Child Care Foundation had not yet worked out the details of a child labor monitoring and certification system. According to an official of the Export Promotion Bureau, the Foundation has considered monitoring proposals made by RUGMARK, STEP and Care & Fair.¹⁸² The Foundation hoped to finalize the details of a proposed system during consultations in September 1997 and implement that system by the end of the year.¹⁸³ It is unclear whether the Foundation will call upon one of the existing labeling programs or develop its own internal or industry-based monitoring system. Some industry groups, including the Lahore Chamber of Commerce & Industry, advocate the establishment of a RUGMARK program in Pakistan.¹⁸⁴

As a result of the widespread public awareness of the use of child labor in the carpet industry, it has become increasingly common for individual manufacturers, exporters, or importers to affix a child labor-free label on their carpets. An official of RUGMARK-U.S.A. observed that at least 25 percent of the hand-knotted carpet dealers exhibiting at the Atlanta Home Furnishings Fair in January 1997 were affixing

¹⁸⁰ American Embassy-Islamabad, unclassified telegram no. 9784 (November 20, 1996).

¹⁸¹ American Embassy-Islamabad, unclassified telegram no. 4106 (May 19, 1997).

¹⁸² Interview with Siddiqui Alvi, Director General, Pakistan Export Promotion Bureau, by U.S. Department of Labor official (June 10, 1997). As mentioned in the previous section, Care & Fair explicitly does not monitor the production facilities of its members.

¹⁸³ Letter from Nasim Ahmed, Chief Executive, Child Care Foundation, to U.S. Department of Labor (July 14, 1997) 2 [on file].

¹⁸⁴ Letter from Shekh Wahiduddin, President, Lahore Chamber of Commerce & Industry, to U.S. Department of Labor (June 9, 1997) [on file].

their own child labor-free labels on their carpets. When asked how they could be sure no child labor was used, most indicated they were certifying this fact themselves.¹⁸⁵ Such labels, containing claims such as “Child labor not used” and “Carpet made without use of illegal child labor,” have been found on Indian carpets for sale by both small and large U.S. retailers. No information is provided to consumers, however, on how these claims are backed up and whether any credible monitoring is being conducted.

One U.S. importer, Ten Thousand Villages, currently labels hand-knotted carpets that are produced in Pakistan by families who are part of the JAKCISS carpet weaving collective.¹⁸⁶ These carpets carry a label stating “This rug was made by fairly paid adult labor,” and explaining that “Ten Thousand Villages is proud to support the project JAKCISS Oriental Rugs of Pakistan which produces high-quality, heirloom Oriental rugs by fairly-paid adult labor.” JAKCISS, founded in 1987 by Baptist Pastor Chaman Masih, involves over 400 families from 69 villages surrounding Lahore.¹⁸⁷ Many JAKCISS weavers are seasonal farm workers who rely on the extra income provided by carpet weaving to support their families.¹⁸⁸ Participating families are provided with a loom and are advanced one-half of the final price of the rug so they can afford to purchase necessary supplies.

**This rug was made
by fairly paid
adult labor.**

*Ten Thousand Villages is proud
to support the project
JAKCISS Oriental Rugs of
Pakistan which produces
high-quality, hand-knotted
Oriental rugs using
fairly-paid adult labor.*



Supervisors, based in nine “hub” villages, oversee carpet production. These supervisors ensure that children do not work and that young adults who do work also attend school.¹⁸⁹ Reverend Masih spends five days a week visiting weavers’ homes to ensure children are not working.¹⁹⁰ Where schools are not available, JAKCISS either builds them or contributes to their construction and operation.¹⁹¹ Both JAKCISS and Ten Thousand Villages have expressed a desire to participate in the RUGMARK program once it is established in Pakistan.

¹⁸⁵ Telephone interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (August 8, 1997). The Atlanta Fair includes the largest exhibit of hand-knotted carpets in the United States.

¹⁸⁶ Ten Thousand Villages is an “alternative trading organization” or ATO. Unlike fair trade organizations, which do not trade themselves but certify fairly traded goods, ATOs import and sell products generally made by small-scale producers and artisans in developing countries. They pay these producers more than do commercial importers. ATOs operate under principles of “fair trade,” which is discussed in detail in Chapter V of this report. Ten Thousand Villages was included in a U.S. Department of Labor survey of U.S. retailers and importers of hand-knotted carpets, which is discussed in the following section.

¹⁸⁷ “JAKCISS Oriental Rugs Fair Wages for Top Quality Handknotted Rugs from Pakistan,” (Pennsylvania: Ten Thousand Villages, undated) [on file].

¹⁸⁸ Id.

¹⁸⁹ Interview with Reverend Chaman Masih, founder, JAKCISS, by U.S. Department of Labor official (June 11, 1997).

¹⁹⁰ Telephone interview with Yousef Chaman, JAKCISS representative, by U.S. Department of Labor official (September 12, 1997).

¹⁹¹ Telephone interview with Yousef Chaman, JAKCISS representative, by U.S. Department of Labor official (September 12, 1997).

Tufenkian Import/Export Ventures, Inc., a U.S. importer specializing in Tibetan carpets from Nepal, sells carpets with the company's own label stating "All aspects of production are performed in environmentally friendly and child labor-free conditions, with due respect for the needs and advancement of its workers." Tufenkian's president makes periodic visits to production facilities and has unwritten agreements with producers to monitor for compliance with the terms of the label. The president of Tufenkian is also on the Board of Directors of RUGMARK-U.S.A. While Tufenkian is not yet a RUGMARK licensee, it is currently negotiating a licensing agreement with the Foundation. More information on Tufenkian's label and child labor policy is provided in the following section.

E. U.S. Carpet Importers' and Retailers' Policies on Child Labor

Corporate policies on child labor are a relatively new phenomenon among U.S. carpet importers and retailers. Although some importers and retailers are currently participating in the labeling programs described above, rarely do individual companies have their own written policy regarding child labor in the production of hand-knotted carpets. However, in 1994, the Oriental Rug Importers Association (ORIA) developed a voluntary policy addressing child labor in the production of carpets. The policy encourages manufacturers to "take every reasonable step to ensure, to the maximum extent possible, that the carpets are not made by illegal child labor, as defined by national law."¹⁹² Some ORIA members have incorporated this policy into their purchase order forms, letterheads and company labels.

The Department of Labor gathered information on private sector efforts to combat child labor through a voluntary survey of 15 U.S. importers and retailers of hand-knotted carpets. These companies were chosen based on sales information from trade magazines and the advice of the Oriental Rug Retailers Association (ORRA) and the ORIA.¹⁹³ Efforts were also made to select a mix of retailers, importers, small and large firms, and U.S. regional markets. Ultimately, ten retailers and five importers were surveyed. Nine companies responded to the survey: four retailers (Shaw Carpets, Lowe's, May Department Stores, Airbase Carpets) and five importers (Nourison, Tufenkian, Masterlooms, Odegard, and Ten Thousand Villages). (See Box II-1 for a list of the companies surveyed.)

This section discusses survey results concerning the child labor policies of U.S. carpet importers and retailers. These policies are examined with respect to their transparency, monitoring and enforcement procedures.

1. Survey Results

The survey respondents indicated that they import or sell hand-knotted carpets from one or more of the following countries: India, China, Nepal, Pakistan, and

¹⁹² *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of the Oriental Rug Importers Association).

¹⁹³ "The Focus 100 Retail," *Floor Focus Magazine*, vol. 5, no.9 (November 1996) 18-44; Michael Caratzas and Lee Stern, "Manufacturers Maneuver for More Market Share," *Floor Covering News Weekly* (July 1996).

Hand-Knotted Carpet Importers and Retailers Surveyed

ABC Carpet and Home*
 Airbase Carpet Mart
 Dayton Hudson Corporation*
 Einstein Moomjy, Inc.*
 Federated Department Stores, Inc.*
 Home Depot*
 Lowe's Companies Inc.
 Masterlooms Inc.
 May Department Stores Company
 Nourison Carpets
 Odegard, Inc.
 Shaw Carpet Industries, Inc.
 Ten Thousand Villages
 Tufenkian Import/Export Ventures, Inc.
 Waban Inc. (Home Base)*

*Company either did not respond to the survey or designated its response business confidential.

Armenia. The five importers (Masterlooms, Tufenkian, Nourison, Odegard, and Ten Thousand Villages) reported that they import carpets directly from manufacturers in producing countries. Two of them (Tufenkian and Masterlooms) indicated that they own production facilities in Nepal and India, respectively. Two companies (Lowe's and Odegard) noted that they use buying agents to purchase carpets. The remaining three companies (Shaw, Airbase, and May Co.) stated that they do not import carpets directly, but purchase them from carpet wholesalers in the United States.

Of the nine respondents, six indicated that they are either participating in a labeling program or using a code of conduct with a provision on child labor. Table II-2 illustrates the type of policies of carpet importers and retailers to prohibit the use of child labor in the production of hand-knotted carpets. Four companies who responded to our survey (Masterlooms, Odegard, Ten Thousand Villages, and Tufenkian) stated they sell labeled carpets or plan to do so in the near future. Three companies (Lowe's, Masterlooms, and May Co.) indicated that they have a code of conduct regarding child labor.

a. Labeling Programs

Of the four companies using labels, two (Ten Thousand Villages and Tufenkian) sell carpets with their own labels stating that no child labor was used. The label of one of these (Ten Thousand Villages) also claims that adult carpet workers are fairly compensated. Although three companies (Masterlooms, Odegard, and Tufenkian)

TABLE 11-2

Type of Policy Prohibiting Child Labor
(Based on Responses to Department of Labor Questionnaire)

<i>Company</i>	<i>Labeling Program ^a</i>	<i>Code or Statement of Principles ^b</i>	<i>Purchase Order Requirement ^c</i>	<i>None</i>
Airbase Carpet Mart				•
Lowe's Companies, Inc.		•	•	
Masterlooms Inc.	•	•		
May Dept. Stores Co.		•	•	
Nourison Carpets				•
Odegard, Inc.	•			
Shaw Industries, Inc.				•
Ten Thousand Villages	•			
Tufenkian Import/Export Ventures, Inc.	•			

^a Company participates in or has its own labeling program.

^b Company has a formal code of conduct, statement of principles or compliance certificate.

^c Company has a purchase order, letter of credit, or buying agent agreement, which contains a specific prohibition on child labor in overseas production.

reported that they are participating in the RUGMARK labeling program, discussions with Rugmark officials indicate that only Odegard is currently a RUGMARK licensee.¹⁹⁴

- Odegard, an importer specializing in Nepalese and Indian hand-knotted carpets, received its first shipment of RUGMARK carpets from Nepal in late September 1997.¹⁹⁵
- Masterlooms sells carpets with the RUGMARK and Kaleen labels. Although Masterlooms is not yet a RUGMARK licensee, its Indian suppliers are already licensees of RUGMARK India that export carpets bearing the RUGMARK label. RUGMARK-U.S.A. has permitted Masterlooms to sell RUGMARK carpets pending Masterlooms' fulfillment of the licensing agreement.

¹⁹⁴ RUGMARK-U.S.A. is in negotiations with both Masterlooms and Tufenkian and anticipates they will soon become licensees in the United States. The presidents of both Masterlooms and Tufenkian are already on the Board of Directors of RUGMARK-U.S.A. Interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (August 8, 1997).

¹⁹⁵ Interview with Thomas DiMarco, Representative, Odegard Inc., by U.S. Department of Labor official (October 7, 1997).

- Tufenkian Import/Export Ventures. Inc., an importer specializing in Tibetan carpets from Nepal, stated that it does not sell RUGMARK-labeled carpets because its supplier in Nepal has not been able to obtain RUGMARK labels.¹⁹⁶ Instead, Tufenkian sells self-labeled carpets stating that “all aspects of production are performed in environmentally friendly and child labor-free conditions, with due respect for the needs and advancement of its workers.” James Tufenkian, president of Tufenkian Import/Export Ventures and a member of the RUGMARK-U.S.A. board of directors, has questioned the need to participate in a labeling program since the company’s reputation alone is a sufficient guarantee that no child labor is used in its carpets.¹⁹⁷
- Ten Thousand Villages places its own labels on the back of carpets imported from Pakistan. The label states that “This rug was made by fairly paid adult labor.” Ten Thousand Villages also advertises child labor-free carpets in promotional materials and in storefront signs. The JAKCISS carpet weaving collective, Ten Thousand Villages’ sole supplier, guarantees that its rugs are free of illegal child labor, bonded labor and forced labor.¹⁹⁸

Two companies (Masterlooms and Ten Thousand Villages) indicated that the cost of participating in a labeling program is minimal and that such costs can be absorbed by manufacturers and importers.¹⁹⁹

Most survey respondents do not require their suppliers to guarantee in writing that they do not use child labor. Contractual requirements in manufacturer certificates or purchase orders are rare. Three companies (Nourison, Tufenkian and Odegard) indicated that they rely on verbal agreements or handshakes with their overseas suppliers to assure their child labor policy is respected.

- Nourison stated that it has no formal written agreement, but trusts its policies are implemented even when its representatives are not physically present in the production facilities.
- Tufenkian stated that sometimes a handshake seals the “no child labor” understanding between the company and its producers.
- Odegard, which is a RUGMARK licensee but does not have any other written policy on child labor, indicated that the verbal agreement and handshake are far more important than any written codes.²⁰⁰

¹⁹⁶ According to RUGMARK-Nepal, neither Tufenkian nor its major Nepalese supplier, Samling Industries, has applied to become a RUGMARK licensee in Nepal. Therefore, Samling is not yet authorized to request RUGMARK labels, and Tufenkian is neither authorized to import nor sell Rugmark carpets. Electronic correspondence from Mr. Narayan Bhattarai, RUGMARK-Nepal Foundation, by U.S. Department of Labor official (August 8, 1997); interview with Terry Collingsworth, Secretary-Treasurer, RUGMARK-U.S.A., by U.S. Department of Labor official (August 8, 1997).

¹⁹⁷ Interview with James Tufenkian, President, Tufenkian Import/Export Ventures, by U.S. Department of Labor official (September 8, 1997).

¹⁹⁸ Interview with Yousef Chaman, JAKCISS representative, by U.S. Department of Labor official (March 21, 1997).

¹⁹⁹ Masterlooms stated that the total cost of participating in the RUGMARK labeling program is 1.25 percent of the value of each carpet (1 percent is paid by importers and .25 percent is paid by manufacturers and exporters). Similarly, Ten Thousand Villages estimated the cost of its labeling program to be approximately 1-2 percent.

²⁰⁰ Interview with Stephanie Odegard, President, Odegard Inc., by U.S. Department of Labor official (September 4, 1997).

The survey respondents monitor adherence to their child labor policies and labeling programs in various ways.

- Tufenkian stated that the company's president conducts visits to production facilities at least 4 times a year.
- Masterlooms, which sells RUGMARK and Kaleen-labeled carpets, indicated that it occasionally conducts its own inspections of looms but relies primarily on RUGMARK to monitor compliance with its RUGMARK child labor-free policy. Masterlooms also noted that greater care needs to be taken in ensuring that the labels are not duplicated, because in its opinion, RUGMARK labels are easy to counterfeit.²⁰¹
- Ten Thousand Villages stated that its purchasing staff conducts inspections of carpet producing facilities in Pakistan. For the last ten years, Ten Thousand Villages' staff have been visiting their exclusive supplier in Pakistan, the JAKCISS weaving cooperative. No institutionalized systems of monitoring and inspection exist in the JAKCISS cooperative.
- Odegard stated that it requires its foreign suppliers and manufacturers to be licensed by RUGMARK. Odegard added that its senior executives, including the company's president, visit their looms in Nepal and India every 3-5 months; some of these visits are unannounced.

Most of the companies participating in a labeling program indicated that they rely on the enforcement procedures established by RUGMARK, Kaleen or JAKCISS to address non-compliance with child labor policies. Two companies with their own labels (Tufenkian and Ten Thousand Villages) stated that although they do not have written enforcement procedures, violations of child labor laws by foreign manufacturers may result in canceled orders or the end of the business relationship.²⁰² Similarly, Masterlooms indicated that they will terminate their business relationship with any manufacturer that uses illegal child labor in the production of carpets.

b. Codes of Conduct

Three companies (Lowe's, Masterlooms, and May Co.) indicated that they have a code of conduct or policy statement prohibiting child labor. (*See Appendix C for copies of these policies.*)²⁰³

- Lowe's policy states that the company will only purchase products and services from vendors whose labor force is made up of employees who are 16 or older.

²⁰¹ Interview with Nassar Rahmanan, President, Masterlooms Inc., by U.S. Department of Labor official (June 6, 1997).

²⁰² Interview with James Tufenkian, President, Tufenkian Import/Export Ventures, by U.S. Department of Labor official (September 8, 1997). Interview with Paul Meyers, President, Ten Thousand Villages, by U.S. Department of Labor official (September 8, 1997).

²⁰³ These policies also include provisions on prison and forced labor, and compliance with occupational safety and health laws.

- Masterlooms uses a statement on child labor developed by the Oriental Rug Importers Association (ORIA) which encourages manufacturers to ensure to the maximum extent possible that carpets are not made using illegal child labor as defined by national law.
- May's policy requires all its vendors to comply with all applicable national labor laws, including those relating to child labor.

Although some survey respondents do not have written codes of conduct, three companies (Odegard, Ten Thousand Villages, and Tufenkian) stated that they rely on the code of conduct implicit in their labeling programs. However these "codes" only apply to labeled carpets, and not necessarily to all the carpets sold by the companies. The companies' monitoring and enforcement procedures are discussed above.

The survey respondents implement their codes of conduct in various ways. The extent to which companies use contractual arrangements to enforce their child labor policies also differs significantly.

- Masterlooms' purchase orders contain a statement on child labor developed by the Oriental Rug Importers Association (ORIA); a manufacturer's certification is also required.
- May Co.'s purchase orders contain a provision prohibiting the use of child labor. While this provision applies to all products purchased by May Co., it does not apply to carpets sold by other retailers leasing space in May Department Stores.²⁰⁴
- Lowe's vendors and suppliers are expected to comply with all applicable laws and regulations in the production of goods or services for Lowe's; the company's buying agreement states that "Vendor, by accepting the order, warrants, represents and guarantees that all labor used by the Vendor and/or its Vendor or Suppliers is furnished by employees with a minimum age of no less than 16 years."

The frequency and thoroughness of the monitoring procedures also vary among the companies.

- May's purchasing staff conducts inspections of overseas production facilities to ensure compliance with its code of conduct. Six inspections are conducted annually; two of these are unannounced. May's purchase order states that failure to comply with its policies may result in canceled orders or termination of the business relationship.²⁰⁵

²⁰⁴ Interview with Frank J. Williams, Jr., Vice President for Public Affairs, May Department Stores Company, by U.S. Department of Labor official (August 29, 1997). In some cases, large department stores, such as those owned by May Co., do not directly buy or sell carpets directly. Instead, they lease floor space to an importer who sells their own carpets inside the department store.

²⁰⁵ May's monitoring and enforcement procedures do not apply to retailers leasing space and selling carpets in May Department Stores.

- Lowe's indicated that it has established representative offices in Hong Kong and Taiwan to assist in the implementation of its code of ethics in China. The office director will be responsible for visually inspecting each factory from which Lowe's purchases goods to determine if the factory is using forced or child labor. Some of the visits will be unannounced.

Enforcement procedures for addressing non-compliance with child labor policies also vary among the survey respondents.

- May's policy states that if it is determined that any vendor has violated labor laws, May will demand that the vendor immediately and permanently cease such activity, will retain the right to cancel any and all orders, and will not do further business with such a vendor until the vendor complies with May's requirements.
- Masterlooms indicated that they would terminate their business relationship with any manufacturer found using child labor.
- Lowe's policy is to assess the gravity or severity of the violation and determine the appropriate response.

A few survey respondents described obstacles to implementing their child labor policies.

- Odegard said communication of its child labor policy sometimes does not reach all of the factory managers. As an example, Odegard said that "sometimes if regular loom managers go on vacation, a child may be hired by a substitute manager, but this is rare."
- Odegard, Masterlooms, Nourison and Ten Thousand Villages noted the need for better non-work activities for child workers, such as adequate and accessible schools.
- Nourison stated that it regularly inspects manufacturing facilities for quality control and to ensure that no child labor is used in the production of its carpets. Nourison states that it does not participate in a labeling program because a credible monitoring process is not possible.

F. Conclusion

Extensive media coverage of the use of child labor in the hand-knotted carpet industry and ensuing consumer campaigns have led to a number of carpet labeling initiatives. Most of these initiatives are based on the notion that labels conveying information on child labor will make carpets acceptable to consumers. For some members of the industry, labeling programs offer an opportunity to stem market disruption caused by adverse publicity and even gain market share. For others, labeling programs are seen as imposing a market disadvantage on carpets sourced from non-labeled suppliers.

Child labor continues to be a problem in the hand-knotted carpet industries of India, Nepal, and Pakistan. While the actual extent of illegal child labor in the carpet industry remains unknown, estimates on the number of working children range from as low as 3,000 in Nepal to as high as 1 million in India and Pakistan. Bonded child labor, where children are forced to work in exchange for an advance taken by their parents, continues to be a problem in the carpet industries of India and Pakistan, though there are no reliable statistics on the extent of the problem.

In Nepal, where the hand-knotted carpet industry is concentrated in the Kathmandu valley, children tend to work in factories. In India and Pakistan, however, children can be found working in small centers and loomsheds in rural villages or urban areas. Children are involved in almost every aspect of carpet production: dyeing, spinning, and unraveling yarn; and weaving, knotting, cutting, and washing carpets. Working conditions are often dangerous and unhealthy. During the various phases of carpet production, children are exposed to chemical dyes and sharp tools. Many develop various respiratory illnesses and suffer from spine deformities and retarded growth from long hours of work crouched in close, dust-filled rooms.

The four major labeling initiatives discussed in this chapter — RUGMARK, Kaleen, STEP, and Care & Fair — are still too new to evaluate their full impact. They are still evolving and expanding. The labeling programs differ greatly in emphasis and scope. While some focus on the removal of children from the carpet industry and their placement in schools or rehabilitation programs, others hope to alleviate the broad social and economic conditions that cause children to work.

Unlike RUGMARK and Kaleen, which label individual carpets, STEP and Care & Fair provide their logo to entire companies meeting their eligibility standards. In all of these programs, a percentage of the import or export value of labeled carpets is used to fund schools or welfare projects in the producing country. RUGMARK and Kaleen have developed inspection and enforcement components to monitor for the illegal use of child labor by licensees or members. RUGMARK has also instituted an elaborate tracking and certification system. STEP and Care & Fair have focused their efforts primarily on social programs for children and their families in carpet-producing regions.

The two programs with developed monitoring components — RUGMARK and Kaleen — have taken different approaches to monitoring. From its inception through June of 1997, RUGMARK India had conducted an average of slightly over 1.2 inspections per loom. In Nepal, RUGMARK inspectors have made an average of 65 visits per licensee facility since beginning inspections in December 1996. In the Kaleen program, only 11 percent of registered looms were inspected during the first year of monitoring. Inspection results have also varied. As of June 1997, RUGMARK inspectors in India had found 1,060 children working illegally on licensees' looms. In Nepal, RUGMARK inspectors found 142 such children as of August 1997. During its first year of inspections, AMS inspectors for Kaleen found 101 illegally employed children on members' looms.

The structure of the carpet industry presents inherent challenges to any labeling effort, particularly those with monitoring and enforcement components. The most comprehensive labeling programs, i.e., those with social, monitoring, and enforcement programs, have the most difficult task. They are the most vulnerable to criticism, as mistakes and violations inevitably occur. On the other hand, those initiatives limited to child welfare programs have a lower risk of not fully meeting their objectives. They also do not assure consumers that child labor was not used in the carpets they purchase — even though they may convey such a message.

It is difficult to assess the impact of the labeling programs at this early stage. Their visibility and the presence of inspectors, in the case of RUGMARK and Kaleen, have surely raised awareness in the carpet industry of the child labor issue. In addition, they appear to have contributed to a reduction in the use of child labor, at least among participating producers. The rehabilitation and education programs, health care and day care facilities funded by the various programs have surely had a positive impact. Ultimately, the success of the programs in marketing their labels in the various countries will determine whether they can generate sufficient funds to have a lasting impact on child labor in the industry.

Child labor-free labels not associated with any of the four major labeling programs are becoming common in retail outlets in the United States. These labels are affixed by individual manufacturers, exporters, or importers, but no information is provided to consumers regarding how these claims are substantiated. In the absence of any credible monitoring mechanism, the integrity of such labels must be questioned.

In addition to labeling programs, some U.S. importers and retailers of hand-knotted carpets have also developed written policies or codes of conduct prohibiting the use of child labor. The majority of the respondents to the Department of Labor survey indicated that they are participating in a labeling program and/or using a code of conduct with a provision on child labor. The implementation of the labeling programs and codes, however, vary from company to company. Monitoring of the child labor policies was limited to occasional visits to production facilities by representatives of the U.S. importers. There also appears to be little accountability for child labor policies. In most cases, informal arrangements between U.S. carpet importers and their foreign suppliers took the place of contractual requirements and actual monitoring to certify that the carpets were made without illegal child labor.

III. Leather Footwear

A. Introduction

There have been numerous recent reports of children working in the leather and footwear industries of various countries.¹ Public concern and consumer interest about such exploitative child labor practices appears to be growing, and consequently, pressure for change has increased.² Since 1994, an increasing number of importers and producers of leather footwear have taken steps to assure consumers that their products are not made by children.

This chapter focuses on several private sector initiatives to prevent the employment of children in the leather footwear industry. Section B provides a brief overview of the structure of the industry and the U.S. market for leather footwear. Section C discusses evidence of the role child laborers play in this industry based on various published reports as well as information collected during U.S. Department of Labor site visits to Brazil, China, India, Mexico and Pakistan. Section D discusses consumer labeling initiatives, looking specifically at two currently in operation in Brazil: the Child-Friendly Company Program of the Abrinq Foundation and the labeling program of the Pro-Child Institute. Their goals, structure and implementation procedures are outlined based on information provided by the programs' administrators and observations of Department officials on their site visit to Brazil. Finally, section E discusses the corporate codes of conduct of several large U.S. importers and retailers of leather footwear, based on information they provided in a voluntary survey. Where Department of Labor site visits provide additional perspective on the implementation of these codes, this information is also provided. (Appendix D contains country-specific lists of the individuals and organizations visited for this report.)

B. Industry Profile

The term leather footwear refers to any footwear with an upper portion (known simply as the "upper") constructed of leather. In 1995, an estimated 4.5 billion pairs of footwear, or about 43 percent of the world's footwear production, met this criterion.³

¹ See *Globalization of the Footwear, Textiles, and Clothing Industries* (Geneva: International Labor Organization, 1996) [hereinafter *Globalization of the Footwear, Textiles, and Clothing Industries*]; *The Small Hands of Slavery: Bonded Child Labor in India* (New York: Human Rights Watch, 1996) 90-92 [hereinafter *The Small Hands of Slavery*]; Shad Islam, "Children: Use of Child Labor Called 'Out of Control,'" *Inter Press Service* (June 26, 1996); *Crianças que Estudam e Trabalham na Ciudad de Franca* (Franca: Sindicato do Trabalhadores na Indústria de Calçados e do Vestuário de Franca e Região, July 1994) [hereinafter *Crianças que Estudam e Trabalham*]; *Diagnóstico do Trabalho Infantil em Novo Hamburgo e Dois Irmãos (Draft)*, Rio Grande do Sul, Porto Alegre, 1997 [hereinafter *Diagnostico do Trabalho Infantil*]; Fawad Usman Khan, "An Innovative Approach to Non-formal Education," (Lahore: International Workshop on Gender and Development, February 1996) [hereinafter *An Innovative Approach to Non-Formal Education*] [on file].

² See Jean-Paul Sajhau, *Business Ethics in the Textile, Clothing and Footwear (TCF) Industries: Codes of Conduct* (Geneva: International Labor Office, 1997) 4; Janet Hilowitz, *Labelling Child Labour Products, a Preliminary Study* (Geneva: International Labour Organization, 1997) v; *Child Labour: Targeting the Intolerable* (Geneva: International Labor Organization, 1996) 5; *Practical Action to Eliminate Child Labor: Background document prepared for the Oslo International Conference on Child Labour* (Geneva: International Labor Organization, 1997) 2.

³ *World Footwear Markets* (United Kingdom: SATRA Footwear Technology Center, 1997) v [hereinafter *World Footwear Markets*].

Despite recent technological innovations in footwear manufacturing, production remains a highly labor-intensive activity. Hence, producers have continued to relocate across national boundaries in pursuit of lower wages and inexpensive raw materials.⁴ Today 42 percent of the world's leather footwear originates in Asia and the Middle East (principally China, India, Thailand, Indonesia, Pakistan, Iran, and Turkey). Another 27 percent of production originates in Europe (particularly Italy), 18 percent in the Americas (particularly Brazil), and the remainder in other regions.⁵ Production within the United States is now rather limited. Less than 10 percent of the nonrubber footwear purchased in this country in 1996 was produced domestically.⁶

On average, every man, woman, and child in the United States purchases more than four pairs of shoes each year, a level of consumption that establishes this country as the world's largest importer of footwear.⁷ In 1996, the United States imported 602 million pairs of leather footwear at a value of \$8.2 billion.⁸ Figure III-1 shows the top 25 suppliers of leather footwear to the United States in 1996. As Figure III-1 illustrates, two-thirds of U.S. leather footwear imports came from China and Brazil. China alone accounted for about 53 percent of all leather footwear imports by quantity (317 million pairs) and 42 percent by value (\$3.4 billion). Brazil accounted for another 14 percent on both measures (86 million pairs of shoes at a value of \$1.2 billion). Table III-1 lists U.S. imports of leather footwear by country and value.

A wide variety of leather footwear is offered for sale in a myriad of U.S. retail establishments. In terms of dollar value, athletic shoes make up the largest component of U.S. sales, followed by dress shoes, casual shoes, work shoes, sandals, sport/hiking boots, and western/casual boots.⁹ Family shoe stores are the retail outlets with the largest volume of sales, followed by shoe specialty stores, department stores, discount stores, national catalog chains, sporting goods stores/pro shops, mail order, factory outlets, and apparel specialty stores.¹⁰

Figure III-2 illustrates the chain of production within the international footwear industry. This schematic also highlights relationships among the various entities responsible for production. The key actors can be described as follows:

⁴ Globalization of the Footwear, Textiles, and Clothing Industries at 16. For example, in 1995, China, India, Vietnam, and Thailand all saw their footwear industries grow, while South Korea and Taiwan experienced decreased footwear production, a fact discussed further in World Footwear Markets at 1.

⁵ World Footwear Markets at v.

⁶ *Current Highlights of the Nonrubber Footwear Industry* (Washington, DC: Footwear Industries of America, April 1, 1997) 1.

⁷ *The Art & Science of Footwear Manufacturing* (Washington, DC: Footwear Industries of America, 1993) 1 [hereinafter *The Art & Science of Footwear Manufacturing*].

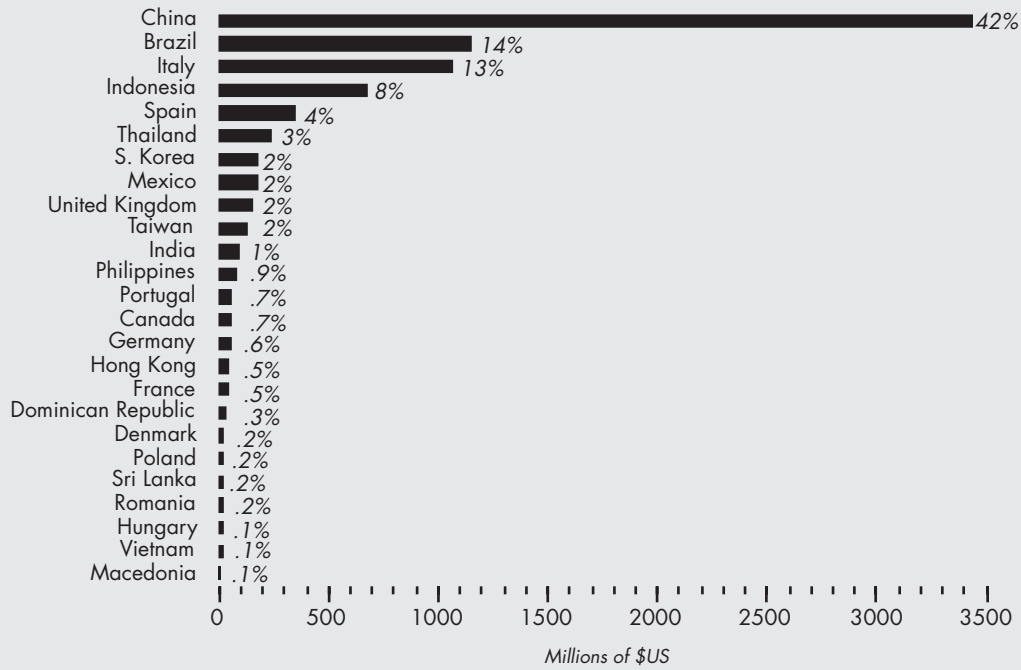
⁸ *Priceline Imports/Exports 1996* (Washington, DC: Footwear Industries of America, 1997). According to the U.S. International Trade Commission, in some leather footwear categories, imports constitute 90-95 percent of domestic consumption. *Nonrubber Footwear Statistical Report, 1996* (Washington, DC: U.S. International Trade Commission, 1997) iii.

⁹ *ShoeStats* (Washington, DC: Footwear Industries of America, 1996) 30.

¹⁰ *Id.* at 35.

FIGURE III-1

*Top 25 Sources of U.S. Leather Footwear Imports,
Value and Percentage of Total, 1996*



Source: Official Statistics of the U.S. Department of Commerce

- **Retailers** typically sell products obtained from U.S. footwear manufacturers and design and marketing firms. Some, however, function as their own design and marketing firm, often with the assistance of overseas buying agents. A large share of the footwear sold in the United States is sourced directly from abroad through the retailer's overseas buying offices and/or buying agents, for sale under the retailer's own brand name(s).
- **Design and Marketing Firms** design footwear, brands and trademarks for which they then develop marketing, promotion, and advertising programs. These firms do not generally own their own factories and include firms such as Nike, Reebok, and Brown Group. Instead, they contract out all production activities, mostly to foreign manufacturers. Design and marketing firms' communications with foreign producers occur via their own buying offices and/or buying agents abroad. These firms typically sell their products wholesale (to retail distributors) or directly to consumers through their own chain of stores. U.S. manufacturers that source abroad, such as Nine West, Wolverine, and Florsheim, follow similar practices.
- **Buying Agents** are often used by U.S. companies that do not have a large presence abroad; they can also be part of the U.S. company's own buying staff. Buying agents locate, inspect, qualify, and negotiate with foreign pro-

TABLE III - I

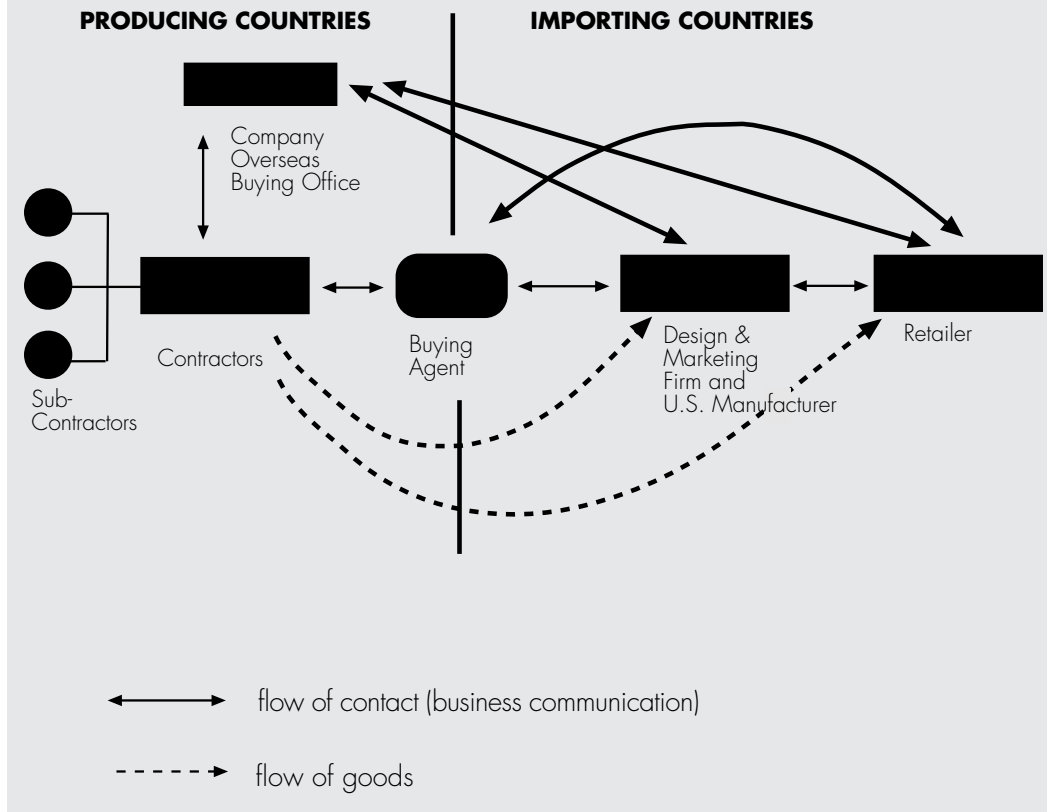
*U.S. Leather Footwear Imports, 1989 - 1996, Top 25 Suppliers in 1996
(in millions of U.S. dollars)*

	1989	1990	1991	1992	1993	1994	1995	1996
China	268.9	540.9	1048.9	1598.6	2219.9	2770.8	3098.1	3432.8
Brazil	997.7	1003.4	948.9	1094.1	1386.9	1227.9	1083.9	1150.2
Italy	720.0	862.5	688.1	664.9	632.2	739.6	864.7	1060.8
Indonesia	45.8	146.4	297.2	464.5	581.9	600.4	613.7	671.6
Spain	315.7	339.1	287.8	251.9	221.8	294.3	315.4	346.2
Thailand	135.6	214.2	224.9	241.8	248.3	261.1	289.0	240.2
South Korea	1796.6	2148.6	1585.7	1051.0	611.9	399.6	257.1	172.9
Mexico	66.7	71.6	75.1	116.6	112.9	96.9	119.4	170.6
United Kingdom	27.4	37.8	35.6	67.6	80.9	82.4	113.3	146.1
Taiwan	903.6	803.4	678.1	509.3	359.5	277.6	215.7	130.7
India	32.6	40.6	53.8	59.4	83.4	87.7	84.1	84.6
Philippines	18.9	11.4	17.1	37.5	44.1	53.8	69.2	73.9
Portugal	43.4	57.4	58.4	65.7	72.2	90.5	86.1	59.1
Canada	29.1	28.6	19.5	23.8	36.2	56.4	53.3	57.2
Germany	26.2	23.9	36.0	57.7	37.6	47.7	56.2	48.9
Hong Kong	91.8	73.6	69.2	77.8	83.9	85.3	70.9	43.9
France	26.9	26.1	28.9	28.1	32.4	32.6	39.5	38.9
Dominican Republic	1.0	0.7	3.1	8.3	2.6	22.1	29.9	26.4
Denmark	0.5	1.0	2.3	3.2	6.9	8.9	13.1	19.9
Poland	8.2	6.5	8.8	13.1	18.3	31.6	27.8	15.3
Sri Lanka	1.0	0	0.5	6.9	12.5	15.5	15.2	15.2
Romania	33.1	20.6	8.2	10.5	16.2	21.3	21.9	14.5
Hungary	11.2	20.9	16.8	11.8	15.5	21.4	21.4	10.9
Vietnam	0	0	0	0	0	.03	2.9	10.6
Macedonia	0	0	0	2.0	4.1	4.3	6.9	10.5
<i>Total Imports</i>	<i>5790.5</i>	<i>6708.3</i>	<i>6415.8</i>	<i>6618.2</i>	<i>7089.2</i>	<i>7495.7</i>	<i>7707.9</i>	<i>8168.1</i>

Source: Official Statistics of the U.S. Department of Commerce

FIGURE III-2

Leather Footwear Chain of Production and Distribution



ducers on behalf of the company in question. Their role may also include communication of quality standards and/or corporate codes of conduct as well as monitoring for quality control and compliance with other standards. In the footwear industry, buying agents typically consult on design and fashion issues. Often, especially in children's footwear, they have trademark licenses which they sub-license to retail customers.

- **Overseas Buying Offices** are similar to, and perform many of the same functions as, buying agents. However, they work directly for U.S. retailers, manufacturers or design and marketing firms.
- **Contractors**, also known as “producers” or “manufacturers,” are usually independently owned businesses that are responsible for the actual manufacturing of footwear for sale in the United States. These contractors typically own and operate their own factories, but many also delegate certain parts of the manufacturing process to **subcontractors** (smaller, more specialized factories or workshops).

Because of the number of actors involved in the footwear production chain, rarely is a single entity responsible for the design, production and sale of a pair of shoes. Moreover, this multi-layered system of production tends to isolate the final consumer from the manufacturer and often affects the dissemination of information among the relevant parties.

C. Child Labor in the Leather Footwear Industry

Leather, a natural material, has certain properties that makes automation difficult in some stages of footwear production.¹¹ Thus, certain aspects of production have traditionally been performed manually. For instance, to produce leather uppers, each hide must be inspected for imperfections and quality variation; some leather must also be cut one layer at a time.¹² Prefitting operations, e.g., stitch marking, seam rubbing and taping, cementing (or gluing), folding, and eyeletting, are also labor intensive.¹³ An upper can involve as many as 60 separate stitching operations, depending on its design. Some can be done by machine; others are done by hand, particularly decorative moccasin seams.¹⁴ Soles and heels are attached to the upper: by cementing, molding, or sewing, processes which can be labor-intensive.

Evidence suggests that in some countries many of these labor-intensive operations are often performed by children. Many reports indicate that child labor occurs most frequently in the informal sector of the industry, where government regulations either do not apply or are not enforced.¹⁵ Children are found cutting, hammering, folding, gluing, marking, hand-sewing, hammering studs, and sanding the soles of shoes.¹⁶ They often work in home-based or small workshops that frequently supply shoe parts for larger, exporting firms.¹⁷ Working conditions are often unhealthy and dangerous. In many workshops, children are exposed to toxic fumes, solvents, and other dangerous chemicals,¹⁸ which may cause skin and respiratory diseases.¹⁹ Children are also exposed to work hazards such as knives and cutters or scrapers, and are rarely provided with protective clothing (e.g., gloves, masks or boots).²⁰ Child labor has also been observed in the leather tanning industry, which supplies raw materials to footwear producers.²¹

¹¹ *Recent Developments in the Leather and Footwear Industry* (Geneva: International Labor Organization, 1992) 13 [hereinafter *Recent Developments*].

¹² *The Art & Science of Footwear Manufacturing* at 9.

¹³ For a more detailed description of this process, see *The Art & Science of Footwear Manufacturing* at 10-12.

¹⁴ *Id.* at 12.

¹⁵ *Globalization of the Footwear, Textiles, and Clothing Industries* at 76; *Diagnóstico do Trabalho Infantil* at 79; *IPEC in India (1992-1995): Looking Back*, (New Delhi: International Labor Organization, 1996) 1.

¹⁶ Jack Epstein, "International Concern Over Underage Workers," *San Francisco Chronicle* (September 4, 1995) A1.

¹⁷ Irandi Pereira and Raquel Licursi Benedeti Rosa, *Child Labor in the Footwear Industry in Franca* (Geneva: International Labor Organization, 1993) 30. [Informal translation into English from Portuguese version] [hereinafter *Child Labor in the Footwear Industry in Franca*].

¹⁸ *Recent Developments* at 33.

¹⁹ *Child Labor in the Footwear Industry in Franca* at 30.

²⁰ *Id.* at 30.

²¹ *Recent Developments* at 33. The ILO has also reported children working in cleaning and production activities in leather tanneries.

The actual number of underage workers in the leather footwear industry is difficult to determine.²² Data on child workers for the export-oriented portion of the industry are likewise difficult to isolate since subcontracting arrangements often involve small-scale factories, workshops, and home production.²³

Brazil

Child labor has been documented in home-based and subcontracting operations in Brazil's two major footwear producing regions.²⁴ A recent ILO-sponsored study of child labor in two cities of the Vale dos Sinos, in the State of Rio Grande do Sul, documents the existence of child labor and describes some characteristics of 7-14 year old child workers.²⁵ In Franca, located in the State of Sao Paulo, local union representatives conducted a UNICEF and ILO-sponsored study of children who worked in the footwear industry while simultaneously attending school.²⁶

The Vale dos Sinos study reveals that children are employed primarily in small workshops and in household production of goods and services supplied to many medium and large-sized leather footwear firms. The children usually work between 4 and 7 hours daily; most give part or all of their salary to their parents.²⁷ In these workshops, children perform manual functions such as hand sewing, stitching, gluing, attaching buckles, poking holes in leather, pounding tacks in heels, and sanding and buffing footwear.²⁸ Because much of this work takes place in clandestine, informal workshops, conditions tend to be much worse than those in larger firms.²⁹ The greatest hazard in these workshops is exposure to glue and other solvents that have been demonstrated to cause respiratory ailments, nausea, lethargy, and sometimes irreversible damage to the functioning of the immune system, ner-

²² Globalization of the Footwear, Textiles, and Clothing Industries at 75.

²³ Id. at 75.

²⁴ Some reports state that as competition has forced firms to reduce costs and make production more flexible in the 1990s, the practice of subcontracting or outsourcing has grown. See *Crianças que Estudam e Trabalham* at 35. According to a union leader in Franca, virtually all of the manufacturing operations required to produce leather footwear can be outsourced to home-based or small workshops. Interview with Paulo Afonso Ribeiro, Union of Shoeworkers of Franca, by U.S. Department of Labor officials (June 25, 1997).

Relevant child labor legislation in Brazil is set forth in the 1988 Federal Constitution and 1990 Law on the Protection of the Child and Adolescent Rights. The Constitution states that the legal age for entry into the labor market is 14, but an exception is made for children involved in apprenticeship programs who are able to begin these programs between the ages of 12 and 14. The Constitution also prohibits nocturnal, dangerous, and unhealthy employment for individuals below the age of 18. Lucilia Tremura of the Ministry of Labor notes that labor laws are not applied to small, family run production sites. If no labor is hired from outside of the family, Ministry of Labor inspectors are not permitted to inspect homes or family farms for the use of child labor. In the case of dangerous work or lack of school attendance, however, Brazilian civil law is employed to protect the safety of the child and guarantee mandatory school attendance. Telephone interview with Lucilia Tremura, Brazilian Ministry of Labor, by U.S. Department of Labor officials (July 9, 1997).

²⁵ *Diagnóstico do Trabalho Infantil*. This is a preliminary study which has not been fully reviewed by the ILO Office in Brazil; some of the information contained in the study may be modified upon final review.

²⁶ *Crianças que Estudam e Trabalham*.

²⁷ *Diagnóstico do Trabalho Infantil* at 60-62.

²⁸ *Diagnóstico do Trabalho Infantil* at 61; *Crianças que Estudam e Trabalham* at 74.

²⁹ Iolanda Huzak and Jo Azevedo, *Crianças de Fibra*, Editora Paz e Terra S.A. (Brasília, 1994) 116 [hereinafter *Crianças de Fibra*]. This book quotes the mayor's office of Franca as estimating that 60 percent of leather footwear suppliers operate in clandestine conditions.

vous system, and the liver.³⁰ Dangerous working instruments contribute to injuries such as cuts, bruises and punctures. Injuries sometimes result in amputations.³¹

Brazil's half-day public educational system also may contribute to the employment of children.³² Because most parents in the informal workshops cannot afford child care, their children often spend the rest of the day helping them at work. The ILO Vale dos Sinos report indicates that 27 percent of children surveyed worked before or after school because they had "no other place to go."³³ Some municipal governments and NGOs have responded to this dilemma by establishing complementary activities for children during non-school hours.³⁴

A 1994 report on child labor in Franca found that 73 percent of 7-14 year olds who worked and studied were employed in the footwear industry; most of these children worked in home production.³⁵ Visits by U.S. Department of Labor officials to small workshops and production facilities in Franca confirm that child labor may still be a problem in footwear production.³⁶ However, it appears that the number of child laborers has decreased from just a few years ago when Franca was dubbed Brazil's "capital of child labor."³⁷ This reduction is reportedly the result of a variety of economic, social, and political developments. Among these are plant closings in the footwear industry, which have reduced labor demand and created a pool of skilled, unemployed adult workers.³⁸ To the extent that some firms are attempting to raise quality and productivity through increased investment in automation and in-plant production, this has also reduced the opportunities for child labor.³⁹ Finally, it appears that, especially in the city of Franca, partnerships between government, indus-

³⁰ Crianças que Estudam e Trabalham at 45.

³¹ Crianças de Fibra at 130.

³² Interview with Eliete Maria Neves Silva, Tutelary Council of Franca, by U.S. Department of Labor officials (June 26, 1997). Tutelary Councils are public entities that oversee the implementation of child welfare policies in the municipalities of Brazil.

³³ Diagnóstico do Trabalho Infantil at 80. This survey also indicated that most child workers had a very high incidence of repeating grades in school. Diagnóstico do Trabalho Infantil at 55-56.

³⁴ U.S. Department of Labor officials visited two complementary school programs in Franca (one sponsored by the Pro-Child Institute and another jointly-sponsored by UNICEF and the Mayor's Office) and one in Novo Hamburgo (an ILO/IPEC project).

³⁵ Crianças que Estudam e Trabalham at 28-30.

³⁶ During conversations with home workers and an owner of a small workshop in Franca, U.S. Department of Labor officials were informed that children are still working in small workshops and household production of footwear (June 23-24, 1997).

³⁷ A newspaper article dubbed the city of Franca as Brazil's "capital of child labor." "Latin Town's Child Labor Tarnishing its Image," *The Orlando Sentinel* (September 10, 1995) A9. During interviews conducted in Brazil by U.S. Department of Labor officials in June 1997, a number of local business leaders, NGOs, union leaders, and government officials indicated that there has been a significant reduction in the number of child workers in Franca in the footwear industry. However, no recent study has been conducted in Franca to ascertain the scale of this trend.

³⁸ Diagnóstico do Trabalho Infantil at 32-33. This report notes that in 1994, more than 20,000 footwear workers were dismissed because of closures and bankruptcies in the footwear industry of Rio Grande do Sul. A recent newspaper article noted that "In recent years, close to 7,000 [formal sector] jobs have disappeared from [Franca's] footwear factories. This number represents 50 percent of the total number of jobs in Franca's footwear industry at the beginning of the decade." Luciana Cavalini, "Franca grows and fears unemployment," *Folha de São Paulo* (March 9, 1997).

³⁹ Interview with Miguel Heitor Baettarello, Sindicato da Indústria de Calçados de Franca, by U.S. Department of Labor officials (June 13, 1997).

try, union, and NGO representatives to combat child labor have been instrumental in increasing awareness of the problem and reducing its incidence.⁴⁰

However, the reports mentioned above and U.S. Department of Labor interviews with numerous representatives from NGOs, unions, government, and industry, confirm that children continue to work in Brazil's footwear industry. According to the Ministry of Labor, the multi-layered structure of production, the high mobility of small suppliers, and the existence of household producers has made it difficult for Ministry of Labor inspectors to locate children working in this sector.⁴¹ These same factors have complicated efforts to determine the number of children working in footwear production and overall trends in child labor. Further study is required to assess the scale of the child labor problem and the impact of both public and private efforts to combat it.⁴²

China

The closed nature of the Chinese political system and a lack of statistical data make it very difficult to obtain reliable information about the incidence of child labor in China as a whole, or the leather footwear industry in particular. A recent report by the ILO International Program on the Elimination of Child Labor (IPEC) states that "although child labour is certainly not yet that much entrenched in China as in many other countries in the region, it is a growing problem."⁴³ According to IPEC, the problem seems to be more prevalent in the southern coastal cities, mainly because that region has been developing rapidly.⁴⁴ Because there are virtually no available data on child labor in China, most reports are based on anecdotal information.⁴⁵ In some cases, estimates of the incidence of child labor are based on other indicators such as school attendance.⁴⁶

⁴⁰ Efforts of the Abrinq Foundation and the Pro-Child Institute have been important, for example, in organizing the private sector to combat child labor and creating programs to address some of the causes of child labor in the area. In addition, Franca was nominated as the nation's first "Child-Friendly Municipality" by the Abrinq Foundation, and the mayor's office has been active in creating educational opportunities and other programs to eradicate child labor. The local union of footwear workers also provided an important impetus to efforts in Franca by calling attention to the child labor situation through two reports in the early 1990s.

⁴¹ Interview with Izielma De Luca Andrade, Regional Delegation of the Ministry of Labor, by U.S. Department of Labor officials (June 20, 1997).

⁴² The union of shoeworkers in Franca is currently seeking funding to update the 1994 survey on child labor in Franca.

⁴³ Guy Thijs, *Briefing Note on IPEC Activities in China* (Bangkok: International Labor Organization International Programme on the Elimination of Child Labor, May 29, 1997) [hereinafter IPEC Activities in China].

⁴⁴ Rapid economic growth may hamper the ability of government officials to regulate new industrial establishments and enforce labor laws.

⁴⁵ Two Hong Kong human rights groups that had been monitoring factories in China since 1995, recently reported workers' allegations that Wellco, a company producing shoes for Nike in Dongguan, employs children ages 13-15 in the sewing, handwork and cutting departments. "Working Conditions in Sports Shoe Factories in China Making Shoes for Nike and Reebok" (Hong Kong: Asia Monitor Resource Centre and Hong Kong Christian Industrial Committee, September 1997) 7 [hereinafter Working Conditions in Sports Shoe Factories in China]. Nike has challenged the veracity of this report and issued a rebuttal to its claims.

⁴⁶ IPEC reports that Chinese government educational data show that in 1993, 2.61 million school-age children did not enroll in primary school, representing about 2 percent of the country's school-age children. Other figures show that in 1993 there were about 10.66 million minors out of school. IPEC Activities in China. Under Chinese law the use of child labor is prohibited. Child labor is defined as "labour performed for economic reward by a child or a youth under the age of 16 in a working relationship with a work unit or individual, or on his or her own account." The law also provides for nine years of compulsory education and all children who reach the age of six, irrespective of age, nationality and race are required to enroll in school.

Information received by Department of Labor officials visiting China indicates that child labor may not be very prevalent in the foreign-invested enterprises of the special economic zones (SEZs) where most of the production of exported footwear takes place.⁴⁷ The reportedly low incidence of child labor in the Chinese leather footwear industry may be attributed to a significant number of adult workers seeking these jobs, the one-child-per-family policy, and the societal importance placed on education and mandatory schooling. Child labor, however, may be more common in family enterprises in rural areas or in private enterprises or township and village enterprises.⁴⁸

Generally, child labor in the Chinese leather footwear industry has not been among the labor concerns raised by NGOs and international organizations, but there have been reports of forced overtime, minimum wage violations, corporal punishment, and safety and health hazards.⁴⁹ A recent study of the footwear industry in China by the Asia Monitoring Resource Centre and the Hong Kong Christian Industrial Committee, non-governmental monitoring groups, concludes that “compared with our research on the shoe factories in 1995, conditions today are even worse... . All categories of [Nike and Reebok’s] Code of Conduct health and safety, freedom of association, wages and benefits, hours of work, overtime compensation, nondiscrimination, harassment and child labor are being violated.”⁵⁰ While the report made no allegations of use of child labor in Reebok factories, Nike and Reebok have both challenged the veracity of this report and have each issued point by point rebuttals to several of its claims, including those regarding child labor.

India

In recent years, a number of reports have noted the use of child labor in India’s leather footwear and tanning industries. For instance, a 1995 study estimated that children under 15 make up a significant portion of the leather workforce in the towns of Agra, Kanpur, Durg and Tonk.⁵¹ These children reportedly make up 40 percent of flayers, 34 percent of tanners, 39 percent of manufacturers and repairers, and 36 percent of wage earners.⁵² Recent reports from Mumbai [Bombay] indicate that children can be found assembling shoe components in subcontracting shops — particularly in Dharavi, a slum area notorious for using children in its leather and shoe-making units.⁵³ Many of the persons visited by a U.S. Department of Labor

⁴⁷ As discussed earlier, a team of U.S. Department of Labor officials visited China in June 1997. The team interviewed a number of footwear manufacturers and industry associations. Chinese government officials met with the U.S. Department of Labor team in Beijing, Wenzhou, Hangzhou, and Guangzhou.

⁴⁸ In a 1995 Report on the Implementation of the Convention of the Rights of the Child, the Chinese government stated that “in recent years, child labour has emerged in individual regions as a result of the growth of small-town and private industry and individual businesses. A preliminary analysis shows it to be fairly marked in the southern coastal cities, largely because the southern coastal regions have been growing fast and the comparative wealth of job opportunities exerts a strong attraction on households and minors in some poor districts.” *Convention on the Rights of the Child*, U.N. Committee on the Rights of the Child, U.N. Doc. CRC/C/11/Add.7, August 21, 1995, 47. For a critique of China’s submission to the U.N. Report, see “Child Workers: China’s Hidden Agenda,” in *China Labour Bulletin*, Issue No. 25 (Hong Kong, April 1996).

⁴⁹ Anita Chan, “Boot Camp at the Shoe Factory,” *The Washington Post* (November 3, 1996) C1.

⁵⁰ Working Conditions in Sports Shoe Factories at 2.

⁵¹ *The Status and Problems of Leather Workers and Their Future Growth Perspective* (New Delhi: Institute of Applied Manpower Research, 1995) [hereinafter *The Status and Problems of Leather Workers*].

⁵² *Id.*

⁵³ American Consulate-Mumbai, unclassified telegram no. 2199 (July 29, 1997).

official in June 1997 acknowledged that children can be found in the cottage workshops of India's leather footwear industry.

Human Rights Watch/Asia (HRW) reported in 1996 that the use of child labor in India's footwear industry may be growing. HRW reports that between 2,000 and 20,000 bonded child laborers — some as young as 6 or 7 — are currently working in footwear production in the slums of Mumbai [Bombay]; these children are trafficked from the rural villages of Rajasthan. The HRW report describes the employment of children in footwear production as follows:

The slum . . . was a place of appalling squalor. The amount of footwear garbage — leather, plastic, and rubber — indicated a sizeable amount of production. The children do not make complete shoes, but their components. We saw children tracing heels on wooden two by fours and cutting them out with motorized saws; cutting women's leather uppers out of leather sheets; stamping brand names on the insoles of shoes and sandals; making the straps and uppers together; sewing uppers to insoles on sewing machines; stamping insoles out of sheets; stamping out soles (leather, rubber, wood); and transporting finished products to wholesalers. Every process involved in the manufacture of this footwear was done by children. Their work days begin at 5:00 or 6:00 a.m. and continue until 10:00 or 11:00 p.m. The children receive no wages; instead, their parents receive a [small] payment at the time the child is taken away.⁵⁴

There are also reports of children working in India's leather tanning industry — particularly in Rajasthan, Madhya Pradesh,⁵⁵ Andhra Pradesh⁵⁶ and Tamil Nadu. Evidence suggests that thousands of children may be employed in leather tanneries in Tamil Nadu — some estimate that in the town of Dindigul alone, 30 percent of the tannery labor force is children, many of whom work with dangerous chemicals without any protective clothing.⁵⁷ The numbers may be greater in Andhra Pradesh.⁵⁸ One report of children working in tanneries that supply products for the export market describes children cleaning chemical drums and placing hides inside the drums. In one such case, a child fell asleep while cleaning a drum and was killed when the drum was subsequently reemployed and refilled with chemicals.⁵⁹

⁵⁴ The Small Hands of Slavery at 90-92.

⁵⁵ The Status and Problems of Leather Workers.

⁵⁶ American Consulate-Chennai, unclassified telegram no. 794 (May 1, 1997).

⁵⁷ *Child Worker News* (Royapuram, India: Center for Street and Working Children, vol.2, no.3, January-March 1995) 5.

⁵⁸ American Consulate-Chennai, unclassified telegram no. 794 (May 1, 1997).

⁵⁹ Interview with Father Jesu, Street Elfin Education and Development Society, by U.S. Department of Labor official (June 9, 1997).

Mexico

Child labor in the Mexican footwear industry has been reported for a number of years. In 1994, a *Wall Street Journal* reporter found children as young as 10 working 8 hour days gluing soles to shoes in small factories in the state of Guanajuato.⁶⁰ A report by Defense for Children International also noted that the athletic and casual shoe industry of León, in the State of Guanajuato, employed numerous children who worked with hazardous materials without protective wear.⁶¹

Statistics on the incidence of child labor in the Mexican leather footwear industry are not available. However, interviews with NGOs, industry representatives, and labor unions in June 1997 indicate that there is an extensive child labor problem in the household production of leather footwear.⁶² In the states of Guanajuato and Jalisco, it is a practice of the footwear industry to subcontract the stitching of uppers (for moccasin style shoes) to household production.⁶³ Some factory managers indicated that the children usually help with the work only after school, but that there were no instructions or subcontract provisions on the use of child labor.

Pakistan

A number of allegations have been made about child and bonded labor in the Pakistani leather and footwear industries which are concentrated in the cities of Lahore and Karachi. In 1994, the International Textile, Garment & Leather Workers Federation reported that children 10 and 11 years old were sick and deformed from years of sniffing glue while working in a shoe factory.⁶⁴ A recent study of leather tanneries in Kasur found children as young as six working for 10 hours a day in filthy and dangerous conditions:

Children yanked out hair from salted hides and skins with bare hands; they loaded and unloaded raw and semi-finished hides into and from large rotating drums; some of them had to disappear into the drums to retrieve semi-finished hides which stuck to the walls of drums reeking of poisonous gases; some of them transported filthy hides within the tannery from one process to the other; elder children peeled off waste from raw hides; and mixed dangerous fuming chemicals into buckets, simply pouring them into drums and small ponds; on the roof tops many small children spray painted leather pieces, inhaling formaldehyde and depositing layers of spray in their hair; their clothes coated in several shiny layers of black and brown.⁶⁵

⁶⁰ Telephone interview with Matthew Moffett, reporter for *The Wall Street Journal*, by U.S. Department of Labor official (April 7, 1994).

⁶¹ *International Child Labor Hearing*, U.S. Department of Labor (April 12, 1994) (Statement of Defense for Children International-USA).

⁶² U.S. Department of Labor interviews with government, industry, labor union, and NGO representatives in June 1997. Except for safety and health provisions, the Mexican Federal Labor Law does not apply to the "Family Industry" or home production. (Mexican Federal Labor Law, Chapter 15, Article 352).

⁶³ Only one of the shoe manufacturers interviewed, in Guadalajara in the State of Jalisco, indicated that he subcontracted the stitching of uppers to one of the few factories which provides stitching of uppers service. Interview with Ing. J. Arturo Márquez González, President of Calzados Gali, by U.S. Department of Labor official, (June 10, 1997). The other manufacturers visited subcontract the stitching of uppers to household producers.

⁶⁴ "Action to End Child Labor Urged," *International Textile, Garment and Leather Workers' Federation Newsletter*, no. 1 (1994).

⁶⁵ An Innovative Approach to Non-formal Education at 2.

Employment of children in the leather and footwear industries is prevalent in small, family-owned workshops. About 1,500 children are estimated to be working in family owned leather tanneries in Kasur (near Lahore).⁶⁶ The use of protective clothing is not widespread among the children (or adults) working in these tanneries.⁶⁷

According to interviews with government, business, labor and NGO representatives, one of the major factors contributing to the incidence of child labor in Pakistan is the lack of compulsory education. Some of the major problems relate to access, quality, affordability and rigidity of the formal education system.⁶⁸ In a survey conducted in Kasur, children who work in tanneries had a school dropout rate of 63 percent, while the average time spent in school was one year.⁶⁹ These children gave a number of reasons for leaving school: physical abuse by teachers; teachers forcing students to do domestic chores at their homes; boring classes, and parents pulling children out of school for economic reasons.

Subcontracting (or outsourcing) seems to be prevalent in footwear production and leather tanning. A number of footwear manufacturers acknowledged that children may be found working in footwear production on a contract basis.⁷⁰ A 1995 report by the Human Rights Commission of Pakistan found that while most children worked in the smaller tanneries (usually in groups of 5 to 15), larger tanneries also employed children.⁷¹ These children, who were almost entirely employed on a contract basis, earned \$7.50 to \$15 per month. As in India, it appears that in Pakistan subcontracting shoe production and leather processing services to small, family owned enterprises is used to avoid prosecution under child labor laws.⁷² Currently, production of leather goods and footwear in Pakistan is mostly for domestic consumption although some of the production is exported. A number of exporters stated that they plan to expand exports to the United States, particularly of leather garments.

⁶⁶ Interview with Fawad Usman Khan, Representative, Sudhaar, by U.S. Department of Labor official (June 13, 1997).

⁶⁷ Interview with Fawad Usman Khan, Representative, Sudhaar, by U.S. Department of Labor official (June 13, 1997). In a visit to the Moonshine School for former child workers in Kasur, the main concern raised by the children was the pollution problem caused by the leather tanneries. Tannery refuse has polluted air and water, and threatens livestock and human health. This is a major concern to residents, workers, government officials and activists in Kasur.

⁶⁸ Fawad Usman Khan, "Child Protection from Exploitative and Hazardous Labour" (Kasur, Pakistan: November 1996) 5 [hereinafter Child Protection from Exploitative and Hazardous Labour].

⁶⁹ Presentation at National Child Labour Seminar, Fawad Usman Khan, Representative, Sudhaar, Islamabad, Pakistan, October 14, 1995 [on file]. In a separate study, Mr. Khan noted that of a population of 40 million children, 28 million children are currently out of school; 16 million children have no access to schools. Child Protection from Exploitative and Hazardous Labour at 2.

⁷⁰ Interview with Mohammed Akram, Director of Exports, Service Industries, Ltd., by U.S. Department of Labor official (June 11, 1997).

⁷¹ Human Rights Commission of Pakistan, *Child Labour in Pakistan* (Lahore: Human Rights Commission of Pakistan Rights of the Child Series, no. 9, 1995) 18-19.

⁷² The most recent child labor law, enacted in 1991, prohibits employment of minors of less than 14 years of age in a number of industries and production processes that use certain inputs, including tanneries. Exception is made for children working at home under the supervision of the parents. Shoe manufacturing is not one of the industries enumerated in the labor law. The Factory Act of 1934 prohibits the employment of children in any factory with more than 10 workers.

D. Consumer Labeling Programs in the Leather Footwear Industry

1. Introduction

Although private-sector initiatives to reduce child labor in the leather footwear industry exist in many countries, partnerships to eliminate child labor are notable in Brazil and Italy. In Brazil, government, industry, labor union, and NGO efforts have helped to reduce the number of children working in the footwear industry. In particular, programs of the Abrinq Foundation for Children's Rights and the Pro-Child Institute have raised awareness among Brazilian footwear producers about child labor and encouraged the development of educational and rehabilitation programs to address child labor issues. The labeling programs of the Abrinq Foundation and Pro-Child Institute are described below.

In March 1997, the Italian Association of Leather Manufacturers and the textile and leather working unions of the three major labor confederations signed an agreement to develop a certification process to guarantee consumers that leather products were manufactured without the use of child labor. The agreement also includes provisions on establishing some type of "mark" to signify that a product was manufactured without any child labor.⁷³

The Italian agreement calls for the establishment of an independent auditing agent to certify the conditions under which products bearing the mark are made. Companies which are members of the Italian Association of Leather Manufacturers will be inspected and clauses will be inserted into any subcontracts that the companies have providing for the termination of services if child labor violations are found.⁷⁴ Strategies for promoting the mark in Italy and other parts of Europe are now being evaluated. In addition, a study is underway to determine whether the mark should be placed on the products themselves or used as a certification for products being distributed through authorized outlets. Sponsors of the agreement see it as a follow-up on their commitment under the Italian National Agreement Against Child Labor of 1996 to eradicate child labor and as a way of cutting down sales of counterfeit or competing products made in the underground economy, where labor standards are low.⁷⁵

2. Abrinq Foundation for Children's Rights

a. Program Overview

The Abrinq Foundation for Children's Rights (Abrinq) is a non-profit organization established in 1990



⁷³ U.S. Embassy-Rome, unclassified telegram no. 2420 (March 18, 1997).

⁷⁴ Id.

⁷⁵ U.S. Embassy-Rome, unclassified telegram no. 2420 (March 18, 1997). To date, the Italian Association of Leather Manufacturers and the textile and leather working unions have established a joint committee to develop guidelines for the mark or labeling program. The committee is currently trying to obtain funding from the European Union to support this program. Interview with John LaMazza, Labor Attache, U.S. Embassy-Rome, by U.S. Department of Labor official (September 18, 1997).

in São Paulo by members of Brazil's Association of Toy Manufacturers. Abrinq's mission is to "move and mobilize society regarding childhood matters, promoting social and entrepreneurial engagement to address child welfare issues through political actions in defense of children's rights and through exemplary actions which may be disseminated and multiplied."⁷⁶

The Abrinq Foundation is comprised primarily of Brazilian entrepreneurs, political and social scientists, academics, and other professionals who provide financial support and/or technical advice to the Foundation. Abrinq receives funding and in-kind contributions from a number of sources, including Brazilian companies, international organizations, and individuals.⁷⁷ Many of the contributions are project-specific and involve the participation of the contributing entity. Abrinq's strategies include: political action, publicity, project development, and fundraising for programs which benefit children. The Foundation focuses on a number of child welfare issues, including health and nutrition, education, child labor, family and community, and rights advocacy.

In April 1995, the Abrinq Foundation created the Child-Friendly Company Program (*Programa Empresa Amiga da Criança*) aimed at eradicating child labor and promoting child-friendly policies in a number of Brazilian industries. This program, which includes a labeling component, encourages companies to eliminate child labor and invest in projects which improve the quality of children's lives.

Some of the sectors participating in this program include services (restaurants, parking garages, photo developing establishments), finance (credit card companies and banks), and manufacturing (toys, shoes, automobiles). Companies that are certified as "child-friendly" are allowed to use the Child-Friendly Company label, which reads: "*Child-Friendly Company – An Initiative of the Abrinq Foundation for Children's Rights*." The label signifies that no child labor was used in the production of the company's goods or services and that the company has developed or is contributing to a project that benefits children. Child-Friendly Companies use the label at their own discretion. For example, the label may be placed on products, packaging, or a company's advertisement and promotional materials. Although a number of companies in the program export goods to the United States, there are currently no products being exported to the United States with a Child-Friendly Company label.⁷⁸

b. Program Structure

The Abrinq Foundation is responsible for overseeing the implementation of the Child-Friendly Company certification and labeling program. The Foundation has very specific eligibility criteria that companies must meet prior to joining the labeling program. These include:⁷⁹

⁷⁶ *Entrepreneurial Mobilization for the Eradication of Child Labor in Brazil* (São Paulo: UNICEF, December 1996) 9 [hereinafter *Entrepreneurial Mobilization*].

⁷⁷ The Abrinq Foundation does not receive funding from the Brazilian government.

⁷⁸ Interview with Abrinq Foundation representatives by U.S. Department of Labor officials, (June 9, 1997).

⁷⁹ *Entrepreneurial Mobilization* at 16.

- making a formal commitment not to use child labor, as defined by Brazilian law;
- promoting this commitment to their network of suppliers and clients; and
- creating or supporting programs to educate and train children.

The process by which companies are certified is as follows:⁸⁰

- interested companies sign a commitment letter and provide the Abrinq Foundation with documentation demonstrating that they meet the eligibility criteria;
- the Abrinq Foundation reviews this information and, in the case of companies in industries with a high incidence of child labor (e.g., sugar and footwear production), consults with its network of partners, which includes labor unions, employers associations, NGOs, and public officials;⁸¹
- the findings of the initial review undergo an internal review process conducted by Foundation representatives and business persons on the Foundation's Administrative Council; and
- companies that successfully complete the review process are provided with a certification letter and a copy of the artwork for the label during a public ceremony certifying them as a Child-Friendly Company.⁸²

The certification and label are valid for one year. The company may be re-certified by reiterating its commitments and undergoing a new investigation by Abrinq along the lines of the above-mentioned review procedures. A de-certification process has also been established through which reports of child labor violations are investigated by the Foundation. Companies are given 30 days to correct violations, and if unsuccessful, are removed from the program and denied use of the label.

Child-Friendly companies do not pay fees or dues to the Abrinq Foundation in order to participate in the labeling program. The Child-Friendly Company program is financed through a grant provided in 1995 by Yakult S.A., a Japanese company which produces dairy products in Brazil.⁸³ This grant allowed Abrinq to establish and finance the operation of the certification and labeling program. This unique

⁸⁰ Entrepreneurial Mobilization at 16-17; interview with Caio Magri, Director of the Child-Friendly Company Program, Abrinq Foundation, by U.S. Department of Labor officials (June 9, 1997); telephone interview with Caio Magri by U.S. Department of Labor officials (July 8, 1997).

⁸¹ Consultations with public officials include oral and/or written communications with the Municipal Councils for the Rights of Children and Adolescents, Public Attorneys, and the Regional Office of the Ministry of Labor. These consultations are the only type of government involvement in the certification and labeling program.

⁸² Use of the label in the product or promotional material must be approved by the Abrinq Foundation. To date, no cases of label counterfeiting have been reported or investigated.

⁸³ Interview with Caio Magri, Director of the Child-Friendly Company Program, Abrinq Foundation, by U.S. Department of Labor officials (July 8, 1997). Although Yakult provides financial support to the Abrinq Foundation, it does not participate in the Child-Friendly Company program. In 1996, the operational cost of the Child-Friendly Company program was \$130,000, which covered staff salaries, equipment, mailing and travel expenses.

funding structure gives the Child-Friendly Company program a significant amount of independence. However, because the funds provided by the initial grant are limited, Abrinq is currently searching for new sources of funding for the program.

c. Program Implementation

Currently, the Abrinq Foundation cooperates with about 1,700 firms on specific projects. The Child-Friendly Company program has about 380 participating companies. Approximately 40 of these companies are manufacturers of leather footwear, nearly all located in the city of Franca.⁸⁴

One of the main components of the Child-Friendly Company program is a label indicating that the participating company has not used child labor in the production of its goods or the provision of its services. In the case of Abrinq, the label is part of a certification program for the company and not for a specific product. Child-Friendly companies are also expected to promote the non-utilization of child labor to their network of suppliers. The certified companies, however, are not required to include a “child labor-free” clause in contracts with their suppliers or to verify that services that have been subcontracted were performed without illegal child labor.

Another aspect of the Child-Friendly Company program is the development or financing of educational and training programs for children. The Abrinq Foundation provides information to interested companies on the types of projects previously established by other companies. These social programs are not necessarily targeted to former child workers. Many Child-Friendly companies provide child care services and sports/recreational facilities for after-school programs and fund professional and technical training projects.⁸⁵

The Abrinq Foundation raises awareness about child labor issues through newspaper advertisements, television and radio commercials, publications, and mass mailings. Companies are educated about the Child-Friendly program’s requirements through training workshops conducted by the Abrinq Foundation staff as well as informational materials aimed at marketing the Child-Friendly Company label.

As discussed above, the Abrinq Foundation has an extensive pre-screening system to certify Child-Friendly companies. However, once the companies join the program, there are no formal monitoring procedures to ensure adherence to the certification and labeling program’s requirements. The Child-Friendly Company pro-

⁸⁴ Most of the Child-Friendly companies in the footwear sector also participate in another labeling program sponsored by the Pro-Child Institute. This labeling program is described in the following section.

⁸⁵ Abrinq Foundation for Children’s Rights, *Empresa Amiga da Criança* Information Booklet (São Paulo, Brazil) [on file]. Examples of some of the social programs include: the American Chamber of Commerce in Brazil has established the Institute for Quality in Education (*Instituto Qualidade no Ensino*) which provides financial and technical assistance to four public schools in the state of São Paulo to improve math and language skills among underprivileged children; Calçados Azaléia, a footwear company in Rio Grande do Sul, provides its workers with daycare and health services, college scholarships, and technical training programs. Abrinq also encourages companies to participate in and donate 1 percent of their corporate income tax to the Municipal Fund for the Rights of Children and Adolescents, which is administered by local municipal councils and is comprised of community activists and professionals.

gram was designed to be “self-monitoring” and, in essence, relies on Abrinq’s network of partners (e.g., labor unions, NGOs, workers, public attorneys, etc.) to notify the Foundation of possible child labor law violations. To date, Abrinq has not received any allegations of child labor law violations by a Child-Friendly company.

d. Findings from Site Visits

It is difficult to determine the level of public awareness about the certification and labeling program. Abrinq is currently developing an educational campaign to inform consumers about the Child-Friendly Company program and encourage consumers to buy products and use services that contain the label. The Foundation would like to have a larger number of participating companies prior to launching this campaign. Interviews with government, labor union, and NGO representatives indicate that those who were familiar with Abrinq’s labeling program appear to have a positive perception of the Foundation’s efforts to help children.

Although information about the program’s goals and requirements is provided to the companies, it appears that this information is not communicated to the workers of some of the participating companies. Interviews with workers and labor union representatives in June 1997 indicate that some of Abrinq’s “network of partners”⁸⁶ may not be aware of the certification and labeling program or the role they can play in monitoring the implementation of this program. For instance, some labor leaders in Franca were not familiar with Abrinq’s labeling program or which footwear companies were participating in the program. Similarly, some workers for Calçados Samello did not know that this company was a Child-Friendly company. Overall public awareness seems essential to the labeling program since the effectiveness of Abrinq’s self-monitoring policy depends on how well-informed all interested parties are about the Child-Friendly companies and the commitments they have made.

While Abrinq emphasizes the importance of examining the chain of production when addressing child labor issues, the agreement between Abrinq and its Child-Friendly companies only requires a commitment to work with suppliers and not an obligation to cease doing business with suppliers or subcontractors who use child labor. Abrinq officials acknowledge it is possible that suppliers of Child-Friendly companies may be using child labor. Some of the subcontracting arrangements U.S. Department of Labor officials observed in Franca and Novo Hamburgo could easily lead to this type of situation. For example, one government official in the city of Franca noted that child labor is not found in the larger firms which directly export to the United States, but children can still be found working in the small workshops that supply products and services to many of the large firms.⁸⁷ Nevertheless, Abrinq works with companies to maintain their commitment to promote the elimination of child labor throughout the production chain. For example, when Abrinq learned that a supplier for one of its Child-Friendly companies was to be sued by a local district attorney for child labor violations, the Foundation provided guidance to its

⁸⁶ Abrinq’s “network of partners” includes labor unions, employers associations, NGOs, and public officials.

⁸⁷ Interview with Valdir Luis Barbosa, Administrative Director, Empresa Municipal para o Desenvolvimento de Franca, by U.S. Department of Labor officials (June 14, 1997).

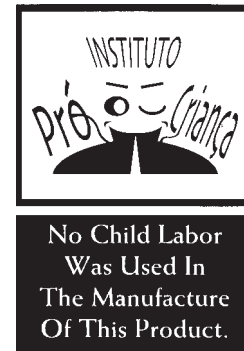
member company and helped to get the supplier to agree to eliminate the use of child labor.⁸⁸

Because Abrinq's labeling program is relatively new, it is difficult to assess the impact of the program in reducing child labor in the footwear industry. However, the Abrinq Foundation has been instrumental in raising awareness among footwear producers and encouraging them to create educational and recreational projects which benefit children. Abrinq also has strived to encourage industry associations and other NGOs to develop similar programs aimed at eradicating child labor. Abrinq assisted the Pro-Child Institute in the creation of a footwear labeling program in Franca and is currently providing technical assistance to the industry association of Novo Hamburgo in its effort to create a footwear industry code of conduct.

3. Pro-Child Institute

a. Program Overview

The Pro-Child Institute (*Instituto Empresarial de Apoio a Formação da Criança e do Adolescente "Pro-Criança"*) is a non-profit organization founded in November 1995 by business persons in the city of Franca, Brazil. The Institute was founded by the Footwear Industry Association of Franca, the Trade and Industry Association of Franca, and the Regional Delegation of CIESP (*Centro das Indústrias do Estado de São Paulo*), a state-wide industry association. In October 1996, the Pro-Child Institute launched the "Program for the Prevention and Eradication of Child Labor in the Footwear Industry," which has as its main objectives the development of actions to: (1) prevent and eradicate child labor; (2) encourage and support children to stay in school, while raising awareness among the general public about the importance of formal education; and (3) encourage and support the professional and technical training of adolescents.⁸⁹



One of the components of this program was the development of a Pro-Child label which is placed on footwear products to indicate a company's adherence to the program's objectives. The label, which has been reproduced in Portuguese, English and Spanish, reads: "*Pro-Child Institute – No Child Labor was Used in the Manufacture of this Product.*" Footwear manufacturers may place the label on the packaging, boxes, and tags of footwear products after obtaining authorization from the Pro-Child Institute. Companies participating in the program must:

- make a formal commitment not to use child labor;
- not subcontract services with suppliers who use child labor;
- encourage a no-child labor policy throughout its chain of production;

⁸⁸ Interview with Abrinq Foundation representatives by U.S. Department of Labor officials (June 9, 1997).

⁸⁹ Instituto Pro-Criança, *Manual da Empresa Credenciada* (Manual for Certified Companies) (Franca, 1996) 3.

- be a contributing member of the Pro-Child Institute;
- adhere to the Institute's regulations regarding the use of the label; and
- place a no-child labor clause in contracts with other manufacturers and encourage them to also become members of the Pro-Child Institute.

In the context of the Pro-Child Institute labeling program, child labor is defined in accordance with Brazilian law, which prohibits the employment of children under the age of 14. Child labor is the only labor standard covered by the labeling program, and it applies to the production of both the finished product and chain of production inputs.

Currently, the Pro-Child Institute's labeling program is only operating in Brazil. Footwear manufacturers have initiated discussions with importers in the United States and other countries to start exporting footwear that contains the Pro-Child Institute label.⁹⁰

b. Program Structure

The Pro-Child Institute, which has seven staff members, oversees the implementation of the labeling program. The program operates as follows:

- (1) Companies interested in joining the Institute sign a letter of commitment to participate in the Program to Prevent and Eradicate Child Labor in the Footwear Industry;
- (2) The Pro-Child Institute provides each company with a certificate which outlines its commitment not to use child labor in the manufacture of its products, to develop programs which benefit children and adolescents, and to be a contributing member of the Institute;
- (3) The companies also sign a number of documents regarding the appropriate use of the label.

The Institute has established procedures for de-certification if a company is found to have violated any of the requirements listed above. The procedures involve a written warning and a notice to rectify the situation within 30 days. If the alleged violation is not resolved within the allowed period of time, the company is then de-certified and the use of the label is prohibited. To date, no company has been investigated or de-certified for an alleged violation of the program's requirements.

The operational cost of the Pro-Child Institute is approximately \$30,000 monthly.⁹¹ The Institute's operational costs, as well as the labeling program, are

⁹⁰ Interview with Miguel Heitor Bettarello and other representatives of the Footwear Industry Association of Franca (Sindicato da Indústria de Calçados de Franca) by U.S. Department of Labor officials (June 13, 1997).

⁹¹ Telephone interview with Maurilo Casemiro Filho, Managing Director, Pro-Child Institute, by U.S. Department of Labor officials (July 22, 1997).

financed through private-sector contributions to the Pro-Child Institute.⁹² Most of the contributions are made by members of the Institute who may also participate in the labeling program. The contributions are made monthly and range from \$50-\$200, depending on the size of the company. These funds also cover staff salaries and some children's projects sponsored by the Institute. There is no direct government involvement in the operation of the labeling program. However, the Institute receives technical assistance from a number of governmental organizations including: the Office of the Mayor of Franca, the Federal Department of Commerce and Industry, and the Federal Department of Education, Culture and Sports. International organizations such as the ILO and UNICEF also provide technical assistance.

c. Program Implementation

As of January 1997, the Pro-Child Institute had certified 67 companies, with 59 of these companies currently participating in the labeling program.⁹³ According to the Industry Association of Footwear Manufacturers of Franca, about 70 percent of its members are contributing members of the Institute, although not all of them participate in the labeling program.⁹⁴ The Institute and the manufacturers interviewed indicated that the cost of participating in the labeling program (including contributions to the Institute and the cost of placing the label in the packaging or boxes of footwear products) is so insignificant that producers absorb the expense without passing it along to consumers in the form of increased prices.

The implementation and monitoring of the labeling program is carried out by the Institute's staff which includes a six-member executive directorate and a managing director. As part of its pre-screening procedures, the Pro-Child Institute conducts site visits to companies that have applied for membership in the labeling program. The Institute's monitoring procedures include announced and unannounced visits to the certified companies, regular meetings with the companies, and periodic reports on the labeling program provided to the Municipal Councils for the Defense of Children and Adolescents Rights, ILO/IPEC, UNICEF, the U.S. Consulate General in São Paulo, and the Abrinq Foundation.⁹⁵

The Institute conducts periodic workshops and meetings to educate participating companies about the labeling program. During these meetings, manuals and other informational materials are distributed to certified companies. The manuals contain general information about the labeling program's requirements, suggestions on how to use the label, and updates on the educational/social projects being sponsored by the Institute on behalf of children and adolescents.

⁹² Some of the rehabilitation projects sponsored by the institute receive public funding and are conducted in partnership with government entities.

⁹³ "Uma Nova Realidade de Atuação Empresarial na Comunidade" (Franca: Pro-Child Institute, January 1997) 24. Many of these companies are also members of the Abrinq Foundation Child-Friendly Company Program.

⁹⁴ These companies are large and medium-sized manufacturers that produce both for the domestic and export markets. According to the Industry Association, of the 360 footwear companies in Franca, about 200 companies belong to the Association.

⁹⁵ These procedures are outlined in the *Manual da Empresa Credenciada* (Manual for Certified Companies) provided to each company by the Pro-Child Institute.

The Pro-Child Institute has developed a series of educational and social projects for children and adolescents. These projects include: a health center for adolescents, resource centers for children between the ages of 7 to 12, vocational training centers, and recreational programs. Many of these projects serve as complementary activities to Brazil's four-hour school day.

d. Findings from Site Visits

Although it is difficult to assess the impact of the labeling program in reducing child labor, the Pro-Child Institute seems to have been effective in raising awareness among the larger footwear manufacturers in Franca.⁹⁶ In addition, the rehabilitation programs sponsored by the Institute are reaching some of the target population – children between the ages of 7 to 14. The Pro-Child Institute has also been very active in sharing its experiences with other footwear producing regions. The Institute is currently working with the Abrinq Foundation and the local footwear industry association in Novo Hamburgo to develop other initiatives that address child labor in footwear production.

According to the managing director of the Pro-Child Institute, the Institute uses a “natural inspection” process which is based on the concept of self-monitoring. The Institute may conduct unannounced visits to production facilities, but it primarily relies on various inspection and monitoring mechanisms already in existence, including “*denuncias*” or complaints of child labor made by labor inspectors and unions. Representatives of companies who visit suppliers on a regular basis are also asked to monitor the use of child labor.

Through interviews conducted in Franca, it appears that neither the Institute nor the participating companies have developed procedures to inform workers about the labeling program's guidelines and objectives. Of the three companies visited in Franca, only one, Samello, indicated that workers were informed about the company's code of conduct and membership in the Pro-Child Institute. Workers interviewed had seen a Pro-Child Institute poster at the Samello plant; however, they were not aware of the labeling program's details. Some of the workers confused a “Made in Franca” label with the Pro-Child Institute label. Even though Samello has been certified as a Child-Friendly company and is a member of the Pro-Child Institute, the company does not currently place either label on its footwear products.

The Pro-Child Institute requires that member companies encourage a no-child labor policy throughout the chain of production. Multiple layers of suppliers and the use of intermediaries (*gatos*) make dissemination of information and monitoring of companies' policies very difficult in the footwear industry. It appears that information about the labeling program may not be reaching the smaller firms and workshops (suppliers and subcontractors) that appear to be the main employers of

⁹⁶ Given the lack of current reliable data on child labor in Franca's footwear industry, Cassiano Pimentel, Vice-Mayor of Franca, illustrated the positive impact of the Pro-Child Institute labeling program by citing an increase in school enrollment. According to Mr. Pimentel, the number of children attending school has increased by 17 percent over the last three years. Interview with Cassiano Pimentel, Vice-Mayor of Franca, by U.S. Department of Labor officials (June 13, 1997).

children. To address this situation, the Pro-Child Institute is planning an initiative to increase awareness about child labor issues among footwear subcontractors in Franca.⁹⁷

E. Codes of Conduct in the Leather Footwear Industry

Voluntary codes of conduct have been in existence in the footwear industry for a number of years and are increasingly common among footwear manufacturers and retailers. In 1992, Reebok International was one of the first companies to initiate a formal, worldwide code of conduct concerning the treatment of workers who are employed by foreign suppliers. In August 1993, the Athletic Footwear Association (AFA) developed a statement of guidelines on practices of business partners.⁹⁸ The statement includes a number of voluntary guidelines — environmental, ethical, health and safety, legal and employment. One provision of these guidelines states that AFA members will not do business with contractors or suppliers who use child labor.⁹⁹ Similarly, in March 1995, a Charter on Child Labour for the footwear industry was adopted in Europe.¹⁰⁰ In April 1997, leaders from the U.S. footwear and apparel industries, labor unions, and consumer, human rights, and religious groups also agreed on a workplace code of conduct.¹⁰¹

In the last few years, a number of footwear companies have included provisions in their corporate policies that govern the production of footwear imported into the United States. Some of these companies have publicly-available, well-defined codes of conduct describing the companies' policies regarding child labor and other labor standards. Other companies do not have formal codes but include child labor provisions on their purchase orders and other contractual documents.

⁹⁷ Telephone interview with Maurilo Casemiro Filho, Managing Director, Pro-Child Institute, by U.S. Department of Labor officials (July 22, 1997).

⁹⁸ The statement defines business partners as contractors and suppliers who provide labor and/or materials utilized in the manufacturing and finishing of member products. "Statement of Guidelines on Practices of Business Partners," Athletic Footwear Association (August 31, 1993).

⁹⁹ The guidelines define a child as less than 14 years of age or younger than the compulsory age to be in school. In the event of any willful non-compliance with these guidelines, AFA member companies may terminate or refuse to renew their supply agreements with business partners based on the business partner's awareness of these guidelines. "Statement of Guidelines on Practices of Business Partners," Athletic Footwear Association (August 31, 1993). Greg Hartley, Executive Director of the Association, reiterated that these are voluntary guidelines and the Association does not monitor or enforce the guidelines. Telephone interview with Greg Hartley, Executive Director, Athletic Footwear Association, by U.S. Department of Labor officials (August 13, 1997).

¹⁰⁰ The European Confederation of the Footwear Industry (ECFI) and the European Trade Union Committee of Textiles, Clothing and Leather (ETUC:TCL) jointly adopted a Charter on Child Labour within the European social sectoral dialogue meeting held on March 7, 1995. Among other things, companies and affiliated trade unions would "not employ children under the age of 15 or below the age of compulsory schooling, either directly or indirectly." The companies will also support the development of in-house apprenticeship programs to provide for the training of young workers. *The Employment of Children - A European Social Partners' Charter for the Footwear Industry* (Brussels: European Confederation of the Footwear Industry and the European Trade Union Committee of Textiles, Clothing and Leather, March 7, 1995).

¹⁰¹ "President Clinton Announces Apparel Industry Partnership Agreement," White House press release (April 14, 1997). The Apparel Industry Partnership Agreement calls for the implementation of a code of conduct and independent monitoring systems that will assure consumers that the clothes and shoes they buy are made under "decent and humane working conditions." The participants also agreed to develop an independent association to assure compliance with the Code and to inform consumers about which companies comply with it. The footwear companies currently participating in this effort are Nike, Reebok and Phillips-Van Heusen.

This section discusses the implementation of these policies by examining three basic elements: transparency, monitoring and enforcement.¹⁰² Transparency refers to the awareness and understanding of the policies by foreign contractors, subcontractors, and workers. Monitoring refers to how companies oversee the implementation of their policies. Finally, enforcement refers to how companies deal with violations of their policies.

In order to gather information on the extent and implementation of codes of conduct and labeling programs regarding child labor in the U.S. footwear industry, the U.S. Department of Labor conducted a voluntary survey of 20 U.S. producers, design/marketing firms, and retailers of leather footwear products. (See Box III-1 for a list of the companies surveyed and Appendix B for the Company Questionnaire). These companies were chosen using information from Kurt Salmon Associates.¹⁰³ The survey instrument was also discussed with the Footwear Industries of America and the Footwear Distributors and Retailers of America. The selection criteria included total sales, overseas production facilities or suppliers, and known codes of conduct. Information obtained from the survey and from Department of Labor site visits to production facilities in Brazil, China, India, Pakistan and Mexico is reported below. Sixteen companies responded to the survey: Adidas, Brown Group, Edison Brothers, Fila, Footstar, Genesco, JCPenney, May Department Stores, Nine West Group, Nike, Payless, Reebok, Stride Rite, Timberland, WalMart, and Wolverine.

1. Survey Results and Information from Site Visits

All of the respondents indicated that they import footwear directly from foreign footwear manufacturers. Twelve of these respondents stated that they also use buying agents or overseas buying offices to purchase footwear. Only one of the respondents, Timberland, indicated that it owns footwear manufacturing facilities abroad.

None of the survey respondents participate in a labeling program or import labeled footwear which claims to be child labor-free. Although codes of conduct have been in existence for a number of years in the footwear industry, labeling is a relatively new concept that has not been embraced by U.S. importers and retailers of leather footwear, and in fact, has been generally opposed. For example, the Footwear Distributors and Retailers of America recently stated that “the use of labels may create a variety of problems which will greatly outweigh their utility, and that other means of communicating with customers about [child labor] and other issues are far preferable.”¹⁰⁴ However, many Brazilian companies whose principal U.S. importers include JCPenney, Cole Haan [Nike], Nine West, Fila, Brown Group, Edison Brothers, Sears, and Genesco¹⁰⁵ are already producing footwear for Brazilian consumption under one of the two child labor-free labeling programs discussed earlier in this

¹⁰² For a more detailed discussion of codes of conduct, see *The Apparel Industry and Codes of Conduct: A Solution to the International Child Labor Problem?* (Washington, DC: U.S. Department of Labor, 1996).

¹⁰³ “FY 1995 Profile: Personal Consumer Products & Retailing,” in *Profile Highlights* (Atlanta: Kurt Salmon Associates, July 1996).

¹⁰⁴ *International Child Labor Hearing*, U.S. Department of Labor (April 28, 1997) (Written statement of Peter T. Mangione, President, Footwear Distributors and Retailers of America).

¹⁰⁵ Information about U.S. importers of Brazilian footwear was provided by the Footwear Industry Association of Franca, to U.S. Department of Labor via facsimile (July 21, 1997).

Leather Footwear Importers and Retailers Surveyed

Adidas America, Inc.
 Brown Group, Inc.
 Edison Brothers Stores, Inc.
 Federated Department Stores, Inc.*
 Fila Sports, Inc.
 Florsheim Group, Inc.*
 Footstar, Inc.
 Genesco, Inc.
 JCPenney Company, Inc.
 May Department Stores Company
 Nike, Inc.
 Nine West Group, Inc.
 Nordstrom, Inc.*
 Payless ShoeSource, Inc.
 Reebok International Ltd.
 Sears, Roebuck & Company*
 Stride Rite Corporation
 Timberland Company
 Wal-Mart Stores, Inc.
 Wolverine World Wide, Inc.

*Company either did not respond to the survey or designated its response business confidential.

chapter. Representatives of the Footwear Industry Association of Franca, who have been promoting one of the labeling initiatives in Brazil, noted that many U.S. importers have not wanted to import labeled footwear into the United States.¹⁰⁶

Nevertheless, all of the companies that responded to the survey have developed and implemented some type of corporate policy prohibiting the use of child labor in the manufacture of their products.¹⁰⁷ (See Appendix C for copies of these policies). These policies are usually articulated in the form of codes of conduct,

¹⁰⁶ Interview with representatives of the Footwear Industry Association of Franca, by U.S. Department of Labor officials (June 13, 1997). The Association representatives noted that U.S. importers who source footwear from a number of different countries may not be willing to participate in country-specific labeling programs because of concerns regarding how similar products may be manufactured in other countries.

¹⁰⁷ In addition to provisions on child labor, most of the companies' policies also include other labor provisions addressing issues such as forced or prison labor, safety and health, and discrimination. Footstar indicated that it has a company policy prohibiting child labor that is communicated to each factory and supplier in a memorandum from the President and CEO; the memo must be countersigned by the factory or vendor. Footstar did not provide a copy of the memorandum.

vendor standards, or statement of principles. Table III-2 illustrates the type of policies that are being used by respondents to prohibit child labor in the manufacturing of leather footwear.

Codes of conduct differ with respect to how child labor is defined. Respondents use a variety of methods to define child labor including “national law” and “international standards.” Most of the respondents defined child labor as employment under the age of 14 or in accordance with domestic law. Only one of the respondents (Wolverine) defined it as employment under the age of 16.

a. Transparency

Foreign manufacturers’ awareness of U.S. importers’ corporate policies vary from country to country.

- In Brazil, there was only limited awareness about U.S. importers’ codes of conduct. Calçados Agabê officials stated that they had received a copy of JCPenney’s code but were not able to provide a copy.¹⁰⁸ The Nine West buyer in Brazil stated that the company does not currently have a code of conduct or written statement regarding child labor in the manufacture of its product.¹⁰⁹ Another Brazilian company, Calçados Paquetá, producing for JCPenney and Nine West, was not aware of any written policies from these companies regarding child labor or general working conditions.¹¹⁰ Most of the large companies interviewed, however, were participating in one of the two child labor-free labeling programs currently operating in the footwear industry.
- In China, Nority, Ltd., which produces for Reebok, Fila and Nortica, was very familiar with Reebok’s Human Rights Production Standards but was not aware whether Fila or Nortica had a code of conduct.¹¹¹
- In India, one of the companies visited, India Shoes, producing Nunn Bush brand footwear, indicated that it had received a code of conduct from its U.S. importer but was unable to provide a copy of the code.¹¹² FlorInd, an Indian subsidiary of Florsheim, noted that it operates under a “standing order” from headquarters not to use child labor in the production of footwear.¹¹⁴ Another company, Chevro Shoes producing for Wolverine, indicated that it was not aware of Wolverine’s code of conduct but it had a “gentlemen’s agreement”

¹⁰⁸ Interview with Miguel Heitor Bettarello, Calçados Agabê, by U.S. Department of Labor officials (June 13, 1997).

¹⁰⁹ Interview with Celeste Cornelli, Director, Ocean Exports, by U.S. Department of Labor officials (June 18, 1997). Ms. Cornelli also added that she believes that Nine West Headquarters was in the process of developing a code of conduct but that it had not yet been implemented.

¹¹⁰ Interview with Enio Lucio Schein, Director, Calçados Paquetá, by U.S. Department of Labor officials (June 18, 1997).

¹¹¹ Interview with Andy Chuang, Senior Manager, and William Chou, Manager, Nority, Ltd., by U.S. Department of Labor officials (June 17, 1997).

¹¹² Interview with V.L. Javid Ahmed, General Manager, India Shoes, by U.S. Department of Labor official (June 9, 1997).

¹¹³ Interview with K. Areen-Ur-Rahman, Chairman, KAR Group, FlorInd Headquarters, by U.S. Department of Labor official (June 10, 1997).

TABLE III-2

Type of Policy Prohibiting Child Labor
(Based on Responses to Department of Labor Questionnaire)

<i>Company</i>	<i>Code or Statement of Principles^a</i>	<i>Purchase Order Requirement^b</i>
Adidas America, Inc.		•
Brown Group, Inc.	•	•
Edison Brothers Stores, Inc.	•	
Fila Sports, Inc.	•	
Footstar, Inc.		•
Genesco, Inc.	•	•
JCPenney Company, Inc.	•	•
May Department Stores Co.	•	•
Nike, Inc.	•	
Nine West Group, Inc.	•	
Payless ShoeSource, Inc.	•	
Reebok International Ltd.	•	•
Stride Rite Corporation	•	
Timberland Co.	•	
Wal-Mart Stores, Inc.	•	
Wolverine World Wide, Inc.	•	

^a *Company has a formal code of conduct, statement of principles or compliance certificate.*

^b *Company has a purchase order, letter of credit, or buying agent agreement, which contains a specific prohibition on child labor in overseas production.*

not to employ children.¹¹⁴ According to Chevro representatives, the use of child labor was one of the first issues raised by Wolverine representatives before subcontracting with the company. K.H. Group, producing Hanover, Wolverine, and Cole Haan (Nike) shoes, did not appear to be aware of the codes of conduct of its U.S. footwear importers but had received a code from Sara Lee for the manufacture of Coach leather bags.¹¹⁵ One of WalMart's subcontractors in India, Tej Shoe, was not aware of the WalMart code of conduct.¹¹⁶

- In Mexico, nearly all of the footwear producers interviewed were unfamiliar with the codes of conduct of their U.S. importers including WalMart, Timberland, and H.H. Brown.¹¹⁷ Only one company, Calzados Celis, producing for Stride Rite, was able to provide a copy of a Stride Rite/Footwear Distributors and Retailers of America Manufacturers Certificate¹¹⁸ which included a statement on child labor.

A number of the respondents (Nike, Payless, Reebok and WalMart) indicated that their policies are required to be posted in the production facilities of their suppliers. In addition to requiring its vendors to post the code in a visible area for all employees, WalMart also provides a telephone number for reporting allegations of code violations.

- In Brazil, only one of the companies interviewed by U.S. Department of Labor officials, Calçados Samello, stated that its child labor policy is communicated through posted signs and during periodic meetings with workers.¹¹⁹ Two other companies, Calçados Agabê (producing for JCPenney) and Calçados Paquetá (producing for JCPenney and Nine West), do not post or inform their workers about U.S. importers' codes of conduct.
- In China, U.S. Department of Labor officials observed that Nike's code of conduct was posted both in English and Chinese in the Pegasus factory that

¹¹⁴ Interview with Abdul Rahman, General Manager, Chevro Shoes, by U.S. Department of Labor official (June 11, 1997).

¹¹⁵ Interview with M. Mohamed Hashim, Chairman, K.H. Group, by U.S. Department of Labor official (June 11, 1997).

¹¹⁶ Interview with Sudrep Singh Chadra, Manager, Tej Shoe, by U.S. Department of Labor official (June 13, 1997).

¹¹⁷ Although generally unfamiliar with U.S. importers' codes of conduct, representatives of the American Chamber of Commerce in Mexico, the National Conference of Chambers of Industry, and other industry representatives stated that conceptually codes of conduct and labeling programs are good ideas that could help them market Mexican footwear in the United States. Similarly, the representatives of the Guanajuato State Shoe and Leather Industry Workers Union stated that they were not aware of codes of conduct or labeling programs for the industry but noted that the union has placed a no-child labor provision in its collective bargaining agreements.

¹¹⁸ The Footwear Distributors and Retailers of America (FDRA) developed a standard form or manufacturers certificate to aid its member companies in addressing the U.S. prohibition of imported goods made with forced or prison labor. In 1993, FDRA added a no-child labor provision to this form. According to the president of FDRA, this form is widely used by many of the member companies; however, FDRA is not responsible for the enforcement of the child labor provision. Telephone interview with Peter Mangione, President, Footwear Distributors and Retailers of America, by U.S. Department of Labor official (August 13, 1997).

¹¹⁹ Interview with Nairton Santana Soares, Human Resources Manager, Calçados Samello, by U.S. Department of Labor officials (June 13, 1997). U.S. Department of Labor officials did not visit the Samello factory and therefore were not able to observe whether the signs were posted. However, during interviews with Samello workers, they confirmed that signs were posted.

produced for Nike. Nority, Ltd., which produces for Reebok and Fila, only had the Reebok code of conduct posted.

- In India, K.H. Group, producing for Hanover, Wolverine and Cole Haan (Nike), was not aware of any of its U.S. footwear importers' codes and therefore did not post them. Similarly, Tej Shoe, a WalMart subcontractor, was not aware of and did not post WalMart's code of conduct.

A number of the respondents' policies address child labor in the chain of production (subcontracting operations), including Adidas, Edison Brothers, Fila, May Department Stores, Reebok, Stride Rite, WalMart, and Wolverine. For example, Wolverine prohibits use of child labor by its partners or sources and their sources or vendors. Edison Brothers and Stride Rite do not accept goods from partners that use child labor in any manner. Adidas also states it requires manufacturers to ensure that subcontractors comply with all applicable laws, including those prohibiting child labor.

- The Adidas representative in Brazil, however, stated that Adidas' child labor policy is not communicated to its subcontractor because child labor is not a problem and adult labor is readily available.¹²⁰
- In India, Chevro Shoes, producing for Wolverine, and K.H. Group, producing for Hanover, Wolverine and Cole Haan (Nike), sometimes subcontract the manufacture of footwear to household producers who are often company employees, and where children may help out in production.
- In Mexico, Calzados Celis, producing for a number of companies including Stride Rite, subcontracts the stitching of uppers, moccasin style shoes to household production and acknowledges that child labor may be a problem in home production.¹²¹
- Firhaj Footwear, a Wolverine subcontractor in Pakistan, stated that the company had been asked to certify that child labor is not used in the production process; the certification was requested in letters of credit issued by the banks of European importers. Firhaj Footwear also provided a copy of a letter from its corporate headquarters stressing the importance of complying with child labor laws and ordering strict compliance.

b. Monitoring

Monitoring procedures used to oversee the implementation of the codes of conduct differ among the survey respondents. Some of the respondents (Nike, May Department Stores, Reebok, and WalMart) indicated that they conduct pre-screening inspections to ensure that foreign suppliers have the capacity to implement their

¹²⁰ Interview with Amaury Rosenberg, President, Adidas Brazil, by U.S. Department of Labor officials (June 12, 1997).

¹²¹ Interview with Ignacio Celis, General Director, Calzados Celis, by U.S. Department of Labor official (June 9, 1997).

codes of conduct. The monitoring strategies used by the companies surveyed include contractual monitoring (self-certification by foreign manufacturers), internal monitoring (e.g., in-country site visits and inspections by the company's employees or representatives), external monitoring (site visits and inspections by external parties, such as NGOs and auditing firms) or a combination of these strategies. Table III-3 illustrates the different monitoring strategies used by U.S. importers and retailers of leather footwear surveyed.

All of the survey respondents indicated that they monitor overseas facilities for compliance with their corporate policies. The type and frequency of the monitoring differs among companies. The companies use their quality control personnel (in some cases buying agents or company representatives) to also oversee compliance with labor standards; this is a form of internal monitoring. In addition, three of the companies (Nike, Reebok and WalMart) use external monitors. Visits to overseas production facilities are conducted at least once a year and may be unannounced. One of the respondents, May Department Stores, indicated that visits by buying agents are conducted as often as six times per year; two of these visits are unannounced.

- In Brazil, the Nine West buyer relies on the Ministry of Labor inspectors to oversee compliance with labor laws while JCPenney reportedly makes unannounced visits to Calçados Agabê at least once a year to verify code compliance.¹²²
- In China, Pegasus International indicated that Nike regularly inspects its facility but that its other buyer, Dr. Scholl's (Brown), has clauses in its contracts but never checks for compliance with those conditions.¹²³
- Chevro Shoes, the Wolverine subcontractor in India, indicated that Wolverine conducts regular inspections of the production facilities.¹²⁴ Similarly, Tej Shoe, producing for WalMart, noted that it receives frequent visits from WalMart representatives.¹²⁵ K.H. Group, producing for Hanover, Wolverine, and Cole Haan (Nike), also indicated that it receives frequent inspections but did not specify by which of the U.S. importers.¹²⁶

Contractual monitoring (manufacturer's certification or purchase order requirements not to use child labor), in conjunction with site visits and inspections, is used by 14 of the respondents.

¹²² Interview with Celeste Cornelli, Director, Ocean Exports, by U.S. Department of Labor official (June 18, 1997); Interview with Mr. Miguel Heitor Bettarello, Calçados Agabê, by U.S. Department of Labor official (June 13, 1997).

¹²³ Interview with Thomas Wu, Chairman and CEO, and Jerry Hu, Business Manager, Pegasus International Holdings, Ltd., by U.S. Department of Labor officials (June 19, 1997).

¹²⁴ Interview with Abdul Rahman, General Manager, Chevro Shoes, by U.S. Department of Labor official (June 11, 1997).

¹²⁵ Interview with Sudrep Singh Chadra, Manager, Tej Shoe, by U.S. Department of Labor official (June 13, 1997).

¹²⁶ Interview with M. Mohamed Hashim, Chairman, K.H. Group, by U.S. Department of Labor official (June 11, 1997).

TABLE III-3

*Monitoring Strategies for Compliance with International Child Labor Policies
(Based on Responses to Department of Labor Questionnaire)*

<i>Company</i>	<i>Contractual Monitoring ^a</i>	<i>Internal Monitoring ^b</i>	<i>External Monitoring ^c</i>
Adidas America, Inc.	•	•	
Brown Group, Inc.	•	•	
Edison Brothers Stores, Inc.	•	1	
Fila Sports, Inc.		•	2
Footstar, Inc.	•	•	
Genesco, Inc.	•	•	
JCPenney Company, Inc.	•	•	
May Department Stores Co.	•	•	
Nike, Inc.	•	•	•
Nine West Group, Inc.		•	
Payless ShoeSource, Inc.	•	•	
Reebok International Ltd.	•	•	•
Stride Rite Corporation	•	•	
Timberland Co.	•	•	
Wal-Mart Stores, Inc.	•	•	•
Wolverine World Wide, Inc.	•	•	

^a Company relies on guarantees made by suppliers through contractual documents or certificates that they are adhering to the company's policies.

^b Company uses site visits and inspections by company staff, buyer agents, or other parties to verify that suppliers are actually implementing the codes of conduct.

^c Company uses external accounting, auditing, testing or consulting firms, NGOs, or international organizations to monitor labor practices.

¹ Company reported that an internal monitoring program is currently being developed.

² Company reported that it plans to start using external monitors in the near future.

- In Brazil, the Nine West buyer stated that there are no written agreements with subcontractors, except for purchase orders, and that business arrangements are based on well-established personal relationships with manufacturers.¹²⁷
- In Pakistan, *Service Industries* stated that their European wholesale purchasers have asked them to certify that *Service's* products do not include child labor in the production process.

c. Enforcement

Enforcement refers to how companies deal with violations of their corporate policies. Most of the survey respondents indicated that willful non-compliance with the companies' policies may result in canceled orders or termination of the business relationship.¹²⁸ Many of the survey respondents have included enforcement provisions in their codes of conduct. Edison Brothers' code of conduct, for example, states that if a violation of any provision of the code is discovered, an investigation into the alleged violation may be conducted and corrective measures imposed. Corrective measures could range from termination of the order, merchandise rejection or return, and/or termination of the business relationship. Similarly, Stride Rite indicated that any partner which fails or refuses to comply with its standards is subject to immediate cancellation of all outstanding orders as well as refusal to continue to do business in any manner with that partner.

Only a few of the respondents (Brown Group, Nike and Reebok) acknowledged they had found violations of their codes of conduct. In some cases, violations included the use of child labor as well as violations of other labor standards, including minimum wage and safety and health provisions. The companies addressed these violations in different ways. Brown Group indicated that counterfeit or false age documentation may result in the employment of minors. In these cases, the aid of local government officials is immediately secured to verify the authenticity of the employee's identification card; employees with false documentation are dismissed. Nike and Reebok have handled some child labor problems by changing their method of production to reduce or completely eliminate outsourcing or subcontracting.

F. Conclusion

There are still many reports of child labor in the leather footwear industry, although reliable data on the actual number of children working in this industry are difficult to obtain. Children reportedly work in small workshops and households that supply larger firms on a subcontracting basis. Many footwear manufacturing processes are manual and fairly simple, leading to the use of children for certain production tasks, such as gluing and stitching leather uppers to soles. Children usually work long hours in dangerous and unhealthy conditions and earn very little. Lack of access to quality education appears to contribute to the incidence of child labor in many of the countries visited by Department of Labor officials.

¹²⁷ Interview with Celeste Cornelli, Director, Ocean Exports, by U.S. Department of Labor officials (June 18, 1997).

¹²⁸ In practice, most companies work to correct the violation or may reduce orders until the situation is rectified.

The incidence and attitudes towards child labor in the footwear industry differ among countries. For instance, child labor in household production of footwear seems to be widely acknowledged in Mexico. In India and Pakistan, where the footwear industry has experienced some growth and codes of conduct are not widely implemented, there are reports that the use of child labor may be increasing. In Brazil, where child labor in the footwear industry was reported to be rampant a few years ago, there appears to be a reduction in the incidence of child labor. The Brazilian government has established the eradication of child labor as a priority; there are a number of partnerships between industry, trade unions, government and NGO representatives aimed at eliminating child labor, and two industry-sponsored labeling programs on child labor are currently operational in the footwear industry.

Although it is too early to assess the impact of these labeling programs in reducing the incidence of child labor in Brazil, anecdotal information suggests that the programs have been effective in increasing awareness about child labor issues among footwear manufacturers and establishing educational and rehabilitation programs for children. However, the effectiveness of both of the labeling programs discussed in this chapter — the Abrinq Foundation's Child-Friendly Company and the Pro-Child Institute seal — depends on the establishment and implementation of monitoring strategies. In addition, increasing public awareness of the programs and labels appears to be essential to the success of these programs given their reliance on external parties to monitor compliance with program requirements.

There is significant use of codes of conduct or other policies prohibiting child labor among U.S. importers of leather footwear. All of the sixteen respondents to the Department of Labor survey indicated they have a corporate policy regarding the use of child labor in the manufacture of their products; fourteen of these companies have well-defined codes of conduct which are publicly available. These policies usually prohibit the use of child labor, and often establish guidelines for the monitoring of foreign manufacturers and disciplinary actions for violations. The actual implementation of these policies, however, varies from company to company and from country to country. Awareness of the policies among foreign manufacturers, workers, and trade unions seems to be limited at best. Similarly, monitoring by U.S. importers is not consistent, even within the same country.

Labeling programs and codes of conduct are more effective if they are implemented in a transparent manner in which all interested parties, including plant managers, workers and trade unions, are well-informed about these policies. Labeling programs and codes of conduct, in combination with efforts by government officials, trade unions and NGOs, can be important tools for reducing child labor in the leather footwear industry.

IV. Soccer Balls

A. Introduction

The soccer ball industry of Pakistan, principally concentrated in the city of Sialkot, has been under scrutiny in recent years for employing child workers. Many reports describe children stitching soccer balls in small rural workshops or in homes.¹ The widespread coverage of children stitching soccer balls galvanized consumers, labor and religious groups and government officials to call for a stop to this practice. In June 1996, the U.S. Secretary of Labor and members of Congress helped launch the *FoulBall* campaign to ensure that soccer balls used by American children are stitched by adults and not children.²

The public attention led U.S. importers to enter into an agreement with Pakistani manufacturers, the ILO and UNICEF to stop using child labor.³ More recently, public attention has focused on the use of child labor in India's soccer ball industry, leading to negotiations between Indian soccer ball manufacturers, exporters, NGOs and international organizations to develop a code of conduct prohibiting child labor.

In addition, individual companies have taken steps to assure consumers that their products are not made by children. They have done so by revising their production process or creating child labor labels. For instance, Reebok has centralized all its soccer ball production in a new factory.⁴ Nike also changed its manufacturing process in Pakistan by creating new stitching centers in order to better ensure children are not stitching Nike soccer balls.⁵

¹ For example, see *Eye to Eye with Connie Chung*, Roberta Baskin, reporter, CBS News (April 6, 1995); Jonathan Silvers, "Child Labor in Pakistan," *The Atlantic Monthly* (February 1996); Sydney H. Schanberg, "Six Cents and Hour," *Life Magazine* (June 1996). In 1995, local manufacturers began posting workshop notices indicating their intent to refuse to do business with workshops employing children. These notices were posted next to affidavits of the workshop owners themselves claiming they were not employing children. Nonetheless, children were still found in these workshops. *Child Labour in Pakistan 1995* (Lahore: Human Rights Commission of Pakistan, 1995) 10 [hereinafter HRCF Report].

² See "Statement of Secretary of Labor Robert B. Reich, 'FoulBall Campaign' Press Conference," (June 28, 1996). The *FoulBall* campaign is coordinated by the International Labor Rights Fund in cooperation with a network of labor, consumer, religious, sports and child advocacy groups. The campaign sought to replace child soccer ball stitchers with adults and see that children attend school. The *FoulBall* campaign also sought to persuade the International Federation of Football Associations (FIFA) to require a verifiable "no child labor" clause in the contract of every producer of a ball that carries the FIFA stamp of approval.

³ In February 1997, an agreement was reached between the industry, the ILO, and UNICEF to remove children from the soccer ball industry, provide them with educational opportunities and created internal and external monitoring systems. Over 50 Pakistani soccer ball manufacturers and U.S. importers have signed on to the agreement, known as the "Partners' Agreement to Eliminate Child Labor in the Soccer Ball Industry in Pakistan" (Partners' Agreement). Additional information on the Partners' Agreement is found in Section E.1. *infra*. See also "Sporting Goods Industry Partners' with Children's and Human Rights Groups to End Child Labor in Pakistan's Soccer Ball Industry," joint news release of the World Federation of Sporting Goods Industry, the Sporting Goods Manufacturers Association, and the Soccer Industry Council of America (February 14, 1997) [on file]; "ILO Unites With Industry Groups to Combat Child Labour," International Labor Organization press release (February 14, 1997); and "Labor Department to Fund Elimination of Child Labor in Soccer Ball Industry," U.S. Department of Labor, Bureau of International Labor Affairs news release (February 13, 1997).

⁴ Dear Colleague letter from Peter Moore, Senior Vice President, Global Soccer/Rugby Division, Reebok International Ltd. (June 12, 1996) [on file] [hereinafter Reebok Letter to Colleagues].

⁵ Letter from Brad G. Figel, Nike Director of Governmental Affairs and International Trade Counsel, to Secretary of Labor Robert B. Reich (June 27, 1996) [on file].

Some U.S. importers, including Reebok and Baden Sports, have begun to label their soccer balls as produced without child labor. These labeling programs are the primary focus of this chapter. Information about labeling programs has been obtained from the companies using labels, from surveys of U.S. importers and retailers, and from field visits to India, Pakistan and China by Department of Labor officials. Section B of this chapter presents an overview of the industry and the market for soccer balls in the United States. Section C examines the role children play in the production of soccer balls around the world. Section D describes various labeling programs. Finally, Section E reports responses of U.S.-based soccer ball importers and retailers to the child labor issue, based on a voluntary survey.

B. Industry Profile

Soccer, or “football” as it is known in most countries, is the world’s most popular sport.⁶ Although soccer gained popularity slowly in the United States, enthusiasm for the sport has grown in recent years.⁷ In 1980, there were fewer than 1 million youths registered to play soccer; by 1996 this figure had tripled to over 3 million.⁸

Growth in the volume of U.S. imports of soccer balls reflects this trend. As Table IV-1 illustrates, in 1989, U.S. soccer ball imports were valued at \$15.7 million; by 1996, the comparable figure was \$34.2 million, a growth of 118 percent.⁹ Figure IV-1 lists U.S. imports of soccer balls by country and value. Some 71 percent of those imports came from Pakistan, 19 percent from China, 5 percent from Indonesia, 1 percent from India, and the remaining 4 percent from other countries.¹⁰ Soccer balls are not produced in the United States.¹¹

Soccer balls generally consist of a number of synthetic leather panels stitched together in geometric patterns on the outside with an inflatable bladder inside.¹² Panels in high quality balls are hand-stitched for durability.¹³ Hand-stitching these panels together is a very labor-intensive process and is where children have been found working.

Figure IV-2 illustrates the chain of production within the international soccer ball industry. This schematic also highlights relationships among the various entities responsible for production. The key actors can be described as follows:¹⁴

⁶ Marius Schneider, “Tough Job: Keeping Up with the Rules,” *FIFA Magazine* (April 1996) 1.

⁷ Paul Gardner, *The Simplest Game: The Intelligent Fan’s Guide to the World of Soccer* (1994).

⁸ “U.S. Soccer Registration, 1980-1996,” *Soccer in the USA*, Soccer Industry Council of America (Winter 1997).

⁹ *Imports for Consumption, 1989-1996* (Washington, DC: U.S. Department of Commerce, 1997). Data for earlier years are not available.

¹⁰ *Id.*

¹¹ Interview with U.S. International Trade Commission specialist by U.S. Department of Labor officials (February 26, 1997).

¹² Synthetic leathers used are made from polyurethane or polyvinyl chloride. In general, real leather is not used since it absorbs water and can affect play on a wet field.

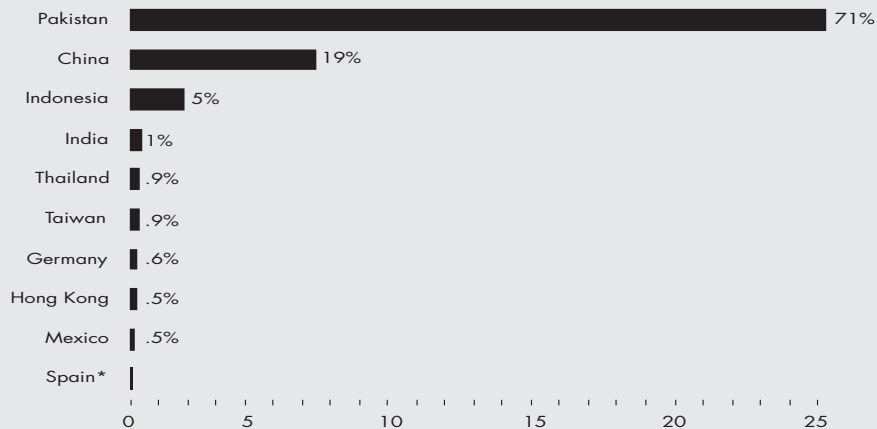
¹³ Machine-molded balls — which are not stitched — are considered to be of lower quality and are out of the scope of this study.

¹⁴ Based on results of survey and interviews by U.S. Department of Labor officials during site visits.

- **Retailers** typically sell a wide range of sporting goods, including soccer balls. They are not normally direct soccer balls importers; instead, they order the balls from brand name merchandisers. Retail outlets selling soccer balls include nationwide sporting goods or soccer specialty stores, independent sporting goods stores, department stores, mass-merchandisers, and toy stores.
- **Importers/Design and Marketing Firms/Merchandisers** develop ball specifications and marketing strategies to promote their particular brand. They do not own the factories producing the balls, but contract with foreign manufacturers who produce the made-to-order balls. Some merchandisers have their own retail outlets for the sale of soccer balls and other products.
- **Contractors** are foreign manufacturers who produce soccer balls for U.S. importers/design and marketing firms/merchandisers. They may produce soccer balls for several different buyers. Contractors usually do some of the production in their factories (e.g., cutting and packing), and outsource stitching and other tasks to subcontractors.

TABLE IV - I

*U.S. Soccer Ball Imports, 1989 - 1996, Top 10 Suppliers in 1996
(in thousands of U.S. dollars)*

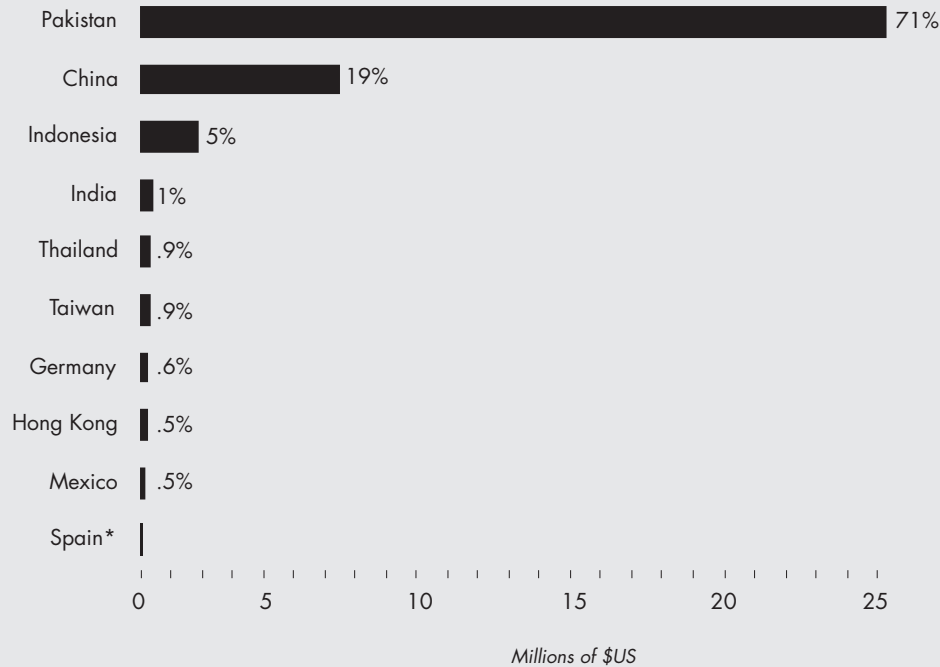


Note: In 1989, Korea was the largest supplier of soccer balls to the United States, followed by Pakistan. As of 1996, Korea no longer produced soccer balls for the U.S. market.

Source: Official Statistics of the U.S. Department of Commerce

FIGURE IV-1

*Top 10 Sources of U.S. Soccer Ball Imports,
Value and Percentage of Total, 1996*



* Supplies less than .1% of U.S. soccer ball imports.

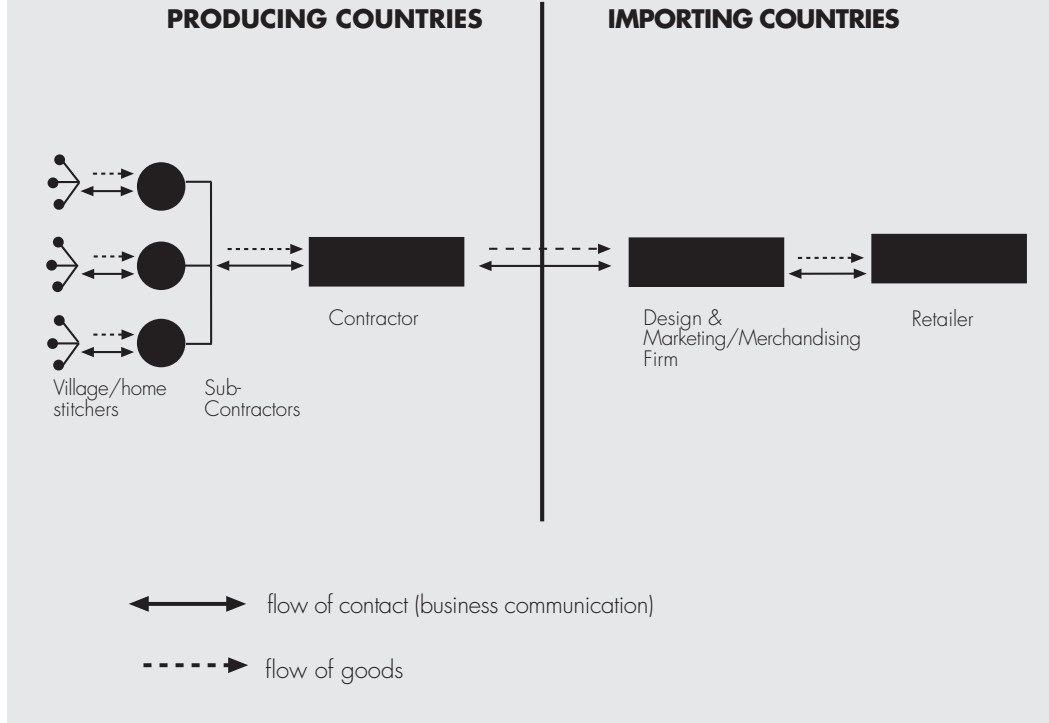
Source: Official Statistics of the U.S. Department of Commerce

- **Subcontractors** are individuals who function as middlemen between the contractor and village stitchers.¹⁵ Subcontractors typically deliver soccer ball kits to workers in surrounding villages. After the stitching is completed, the subcontractor pays the stitchers and returns the completed kits to the contractor.
- **Stitchers** sew together the panels of a soccer ball and glue in the inflatable bladder. They are employed by subcontractors, typically on a piece rate basis, and may work in a stitching center, small village workshop, or in homes.

¹⁵ In India and Pakistan, the contractors typically employ cutters, quality inspectors, and packers on their premises. In the majority of cases, the contractors also employ individual subcontractors to distribute soccer ball kits to stitchers in nearby villages, who work out of their own homes. In contrast, in China, most persons interviewed indicate that soccer ball production takes place primarily in the factory, with little subcontracting or homework reported.

FIGURE IV - 2

Soccer Ball Chain of Production and Distribution



C. Child Labor in the Soccer Ball Industry

The use of child labor in the production of soccer balls has been documented primarily in Pakistan and India.¹⁶ Soccer balls are also made in China and Indonesia, but there are no known allegations of child labor in the soccer ball industries of these countries.

The manufacture of soccer balls is controlled from the city but decentralized to homes and small workshops in surrounding villages. At the city factories or warehouses, the designs are printed and the pieces are cut. These are then packed into sacks and handed over to middlemen or subcontractors who distribute them in villages to families and workshops, where stitching traditionally is done both by adults and children. Subcontractors provide soccer ball kits to village workshops and/or households, where workers hand-stitch individual pieces together, glue the bladder to the material, and sew in the final piece. Some of the larger subcontractors in Pakistan have up to 300 stitchers working for them.¹⁷ In some instances, there may be two or more tiers of subcontractors, with the balls passing through many hands on the way from the stitcher to the manufacturer. Once completed, the stitched soccer balls are then brought back by the middlemen to the factories for packing and shipment.

¹⁶ This was first brought to the attention of the U.S. Department of Labor in 1994. See Memorandum from Kailash Satyarthi, Chairperson, South Asian Coalition on Child Servitude (SACCS), to Sonia Rosen, Director, Child Labor Study (June 13, 1994) [on file]. See also *A Brief Report on Activities of SACCS-BBA Covering May to September 1996* (undated) 8 [on file].

Pakistan

Nearly all soccer balls are made in and around Sialkot, Pakistan — a region famous as a soccer ball producing hub for at least 80 years.¹⁸ Seventy-five percent of the world's soccer balls were produced in Sialkot in 1996.¹⁹ It is estimated that there are about 10,000 urban workers and 30,000 rural workers in the 1,450 surrounding villages of Sialkot involved in the production of soccer balls.²⁰

As recently as 1995, Pakistani soccer ball manufacturers denied that children were stitching soccer balls. The Human Rights Commission of Pakistan noted that when they visited Sialkot in 1995, manufacturers seemed to have instructed their contractors not to talk about child labor, and taken the contractors to task, “not so much for employing child labor as for letting it become visible.”²¹ At the time, the Commission reported that they found many children working in the soccer ball industry, despite the local industry's best efforts to conceal the children from view.²²

In 1996, an ILO study in the Sialkot region estimated that more than 7,000 Pakistani children between the ages of 5 and 14 stitched balls on a regular, full-time basis.²³ In addition, large numbers of children worked part-time outside of school hours. The great majority of these children were boys.

More than 90 percent of the children stitching soccer balls are between the ages of 10 and 14.²⁴ Most work in small shops or at home.²⁵ Seventy percent of the children work 8 to 9 hours a day; others work 10 to 11 hours per day.²⁶ It is estimated that 19 percent of the boys and 36 percent of the girls have never attended school.²⁷ Twenty-two percent of the boys and 25 percent of the girls attend school

¹⁷ HRCP Report at 12.

¹⁸ *An Assessment of the Working Child in the Soccer Ball Industry, Sialkot* (Lahore: Raasta Development Consultants for the Soccer Industry Council of America, June 1996) 42 [hereinafter Raasta Report]; HRCP Report at 6. Recent reports indicate that production may be extending beyond the Sialkot area to Sargah, Gujranwala, Narowal, Jhelum and Shakapura. Interview with the Democratic Commission for Human Development by U.S. Department of Labor official (June 14, 1997); *Stitching footballs: voices of children in Sialkot, Pakistan* (London: The Save the Children Fund - UK, May 1997) 14 [hereinafter Save the Children Report]; Interview with Pharis Harvey, Executive Director, International Labor Rights Fund, by U.S. Department of Labor official (September 19, 1997).

¹⁹ “Sporting Goods Industry Partners with Children's and Human Rights Groups to End Child Labor in Pakistan's Soccer Ball Industry,” joint news release of the World Federation of Sporting Goods Industry, the Sporting Goods Manufacturers Association, and the Soccer Industry Council of America (February 14, 1997)[on file]; N. Vasukirao, “Analysts Question Pakistan's Child Labor Plan,” *Journal of Commerce* (July 16, 1996).

²⁰ Raasta Report at 5.

²¹ HRCP Report at 9.

²² *Id.* at 10.

²³ Directorate of Labour Welfare and the International Programme for the Elimination of Child Labour (IPEC), *Child Labour in the Football Manufacturing Industry* (Geneva: International Labour Organization, December 1996) iv [hereinafter IPEC Soccer Ball Report]. The Constitution of Pakistan (1973) prohibits employment of children age 14 and below in factories, mines and other hazardous occupations. The Employment of Children Act (1991) and the Bonded Labour System (Abolition) Act (1992) aim at providing protection to children from exploitation, including bondage. Pakistani law does not prohibit nor regulate children stitching soccer balls at home or in small shops.

²⁴ IPEC Soccer Ball Report at iv.

²⁵ Raasta Report at 24. *See also* Save the Children Report at 16; IPEC Soccer Ball Report at iv.

²⁶ IPEC Soccer Ball Report at 22.

²⁷ Raasta Report at x.

and work.²⁸ Although most of the child workers can read and write, many have dropped out of school because of uninteresting curricula, unsympathetic teachers and an uncomfortable school environment.²⁹

A recent study conducted for the Soccer Industry Council of America (SICA) found that stitchers make between 20 to 30 Pakistani rupees, or approximately \$0.50 to \$0.75, per ball.³⁰ On average, children are paid 20 to 22 Pakistani rupees per ball, or about \$0.50 to \$0.55. Payment tends to vary according to ball quality.³¹ Most high quality balls are stitched by adults at stitching centers. The ILO reports that children are not likely to stitch high quality balls because they are not strong enough to make the required stitches. The wages for high quality balls are almost double than those for lower quality balls.³² Depending upon skill and experience, a person is reportedly able to stitch between 1 and 5 balls a day.³³

There have been allegations of debt servitude in the soccer ball industry in Pakistan,³⁴ charges denied by Pakistani manufacturers³⁵ and a recent Save the Children-UK report.³⁶ However, the study commissioned by the Soccer Industry Council of America (SICA), the Save the Children report and a study conducted jointly by the ILO and the Punjab Department of Labor acknowledge that many families in the soccer ball industry take loans or advances from subcontractors.³⁷ The advances are generally repaid through a deduction in the amount paid to the stitchers.³⁸ Most reports, however, are careful to note that intergenerational debt-bondage is not prevalent in the soccer ball industry.

India

India's sporting goods industry has its roots in Sialkot, Pakistan. When India was partitioned at independence in 1947, many of Sialkot's skilled Hindi craftsmen migrated across the border into the Punjab, settling in Jalandhar, where the Indian sporting goods industry is now based.³⁹ The Indian sporting goods industry has expanded to include the areas of Meerut, Uttar Pradesh, and Gurgaon, Haryana. Most of India's sporting goods, including soccer balls, are exported to the United Kingdom.

²⁸ Raasta Report at x.

²⁹ IPEC Soccer Ball Report at v.

³⁰ Raasta Report at viii.

³¹ IPEC Soccer Ball Report at v.

³² Id. at 15.

³³ Id. at 19.

³⁴ Raasta Report at 32.

³⁵ HRCP Report at 8.

³⁶ Save the Children Report at 7.

³⁷ Raasta Report at ix; Save the Children Report at 20; IPEC Soccer Ball Report at 22. The loans were for between 1,000 and 5,000 Pakistani rupees, or about \$25 to \$125. Raasta Report at ix.

³⁸ Save the Children Report at 20.

³⁹ *A Sporting Chance: Tackling Child Labour in India's Sports Goods Industry* (London: Christian Aid, 1997) 31 [hereinafter *A Sporting Chance*].

Allegations of child labor in India's soccer ball industry have appeared since 1994.⁴⁰ Although these allegations were initially repudiated by some members of the Indian Sports Goods Export Promotion Council, recent public statements by members of the industry are more qualified, denying that child labor is used in members' factories, but acknowledging that the practice may occur through the process of contracting out to homeworkers.⁴¹ About 300,000 persons work in the sporting goods industry producing over 200 different products.⁴² It is estimated that about 10 percent of this workforce, or 25,000 to 30,000 workers, are children.⁴³

Soccer ball production in India is similar to that in Pakistan: middlemen distribute soccer ball kits provided by large factories to small workshops and homes in surrounding villages, where soccer balls are stitched and returned. A 1997 study by Christian Aid, a British NGO, found children as young as seven stitching soccer balls in their homes.⁴⁴ The report described children working in small workshops or at home in urban slum areas and remote villages.⁴⁵ They work for many hours stitching the soccer balls while sitting in a hunched, squatting position. Some of the children go to school as well as work.⁴⁶ The report quotes the director of a Jalandhar soccer ball company as saying, "the football industry uses children at the age of 10 or 12. The quantity of footballs exported is too much to employ all the people we need in factories. Women and children do it in their houses whenever they get free time."⁴⁷

As in Pakistan, stitchers are paid per completed ball. One major exporter stated that stitchers average 13 to 14 Indian rupees per ball (\$0.37 - \$0.39) for the low quality soccer balls, and between 20 and 22 Indian rupees per ball (\$0.56- \$0.62 cents) for the most commonly produced medium quality balls. Some Indian children reportedly earn as little as 7 Indian rupees per ball, or about \$0.20.⁴⁸

D. Consumer Labeling Programs in the Soccer Ball Industry

1. Introduction

Adverse publicity in the United States and Europe about children stitching soccer balls prompted some importers to adopt labels informing consumers that their

⁴⁰ Pharis J. Harvey and Lauren Riggin, *Trading Away the Future: Child Labor in India's Export Industries* (Washington, DC: International Labor Rights Education and Research Fund, May 1994) 90.

⁴¹ "Child Labour in Sports Industry," The Sportsgoods Manufacturers and Exporters Association, press release (undated), given to U.S. Department of Labor official (June 4, 1997)[on file].

⁴² A Sporting Chance at 4.

⁴³ Id. at 4. Employment estimates for soccer ball production alone are not available.

⁴⁴ Id. at 5. The Christian Aid Report caught the attention of the British public in June 1997 by publishing an account of an 11 year-old girl stitching a soccer ball bearing the picture of British soccer hero Eric Cantona and the logo of his club, Manchester United. Christian Aid accused Manchester United of selling such balls stitched by children in their official souvenir shop. The young girl, the sole wage earner for her family, was reportedly paid 7 Indian rupees (or \$0.20) for stitching the ball sold in England for £9.99. See A Sporting Chance at 9-10; Charles Reiss, "Labour pledges to fight child slavery," *Evening Standard* (May 12, 1997).

⁴⁵ A Sporting Chance at 8.

⁴⁶ Id. at 10.

⁴⁷ Id. at 6.

⁴⁸ Id. at 9.

products have been produced in a child labor-free environment. In some cases, these programs are accompanied by changes in production processes to prevent the employment of children.

Although some individual companies have developed labels for their soccer balls, the majority of the soccer ball industry has opted instead to implement a variety of different codes of conduct to prohibit and prevent child labor. At a November 1996 meeting of the World Federation of the Sporting Goods Industry (WFSGI), companies rejected the possibility of labeling products, concluding that “our own industrial brand names were statements of quality and ethics in their own rights and any disclaimer put on a separate label would only weaken that statement and the perception of the brand.”⁴⁹ They emphasized that by labeling only some balls, unlabeled balls might unfairly be thought to be made by children.⁵⁰ On the other hand, the President of the WFSGI commented that over time, it might be conceivable that products would carry a stamp indicating membership in WFSGI. Since the WFSGI is an endorser of the Pakistan Partners’ Agreement, such a stamp would imply that a ball made in Pakistan fulfilled the no child labor requirements of this agreement.⁵¹ In making this proposal, the President noted that for such a stamp to be credible, it must be backed up by a strong and transparent monitoring system in addition to an enforcement mechanism capable of denying the use of the stamp or expelling members found violating the agreement.⁵²

Notwithstanding the WFSGI policy, recent evidence shows that child labor labeling is becoming more common in the soccer ball industry. For example, both Reebok and Baden Sports recently began selling soccer balls with a label stating that the balls are not made by children. The Reebok balls are made in Pakistan, while the Baden balls are made in China. The retail chain Dunkin’ Donuts sold promotional soccer balls with a no child labor label during the 1997 summer months. Additionally, in response to a Department of Labor survey, the Kmart Corporation provided letters from their suppliers indicating that their balls are, or will be, labeled child labor-free. These labeling programs are described below.

2. Reebok

a. Program Overview

Reebok International Ltd. (Reebok) is a leading designer, marketer and worldwide distributor of sports, fitness and casual footwear, apparel, and sporting equipment. Total sales for 1996 were approximately \$3.5 billion.⁵³ Reebok, a publicly held corporation, issued a code of conduct known as the Reebok Human Rights Production Standards in 1992. Among other things, the code of conduct bars the use of child labor in making Reebok products.



⁴⁹ “Letter from the President,” *WFSGI Sportshop News Bulletin* (January/February 1997) 3.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of Reebok International, Ltd.) [Hereinafter Reebok testimony].

Recognizing the high incidence of child workers in the Pakistani soccer ball industry, in June 1996 Reebok officials said they were planning to buy Pakistani-made soccer balls that they “knew with certainty” were not made with child labor.⁵⁴ Reebok contracted with Moltex Sporting Goods (Pvt.) Ltd., a Pakistani soccer and rugby ball manufacturer, and Reed and Associates, a French company specializing in research and development, sourcing and manufacturing of high quality soccer and rugby balls, to build a soccer ball manufacturing plant. The new facility, located in Sialkot, has been making Reebok balls since March 1997.

Soccer balls produced for Reebok by Moltex bear the following label on one of the panels: “*Guarantee: Manufactured without child labor.*” According to company officials, the use of the label allows Reebok to communicate their policy to consumers and stakeholders interested in ending exploitative child labor. Reebok’s decision to label soccer balls was based on two factors: (1) increasing concern by consumers about children stitching soccer balls;⁵⁵ and (2) Reebok’s desire to distinguish itself from other brands by centralizing stitching and all other production processes in a single factory and requiring rigorous external monitoring of the facility. Reebok officials state they will be able to place their label on Reebok balls “with absolute confidence. Our consumers will know that Reebok balls are, without any doubt, child labor-free.”⁵⁶

b. Program Structure

The three major elements of Reebok’s program include:⁵⁷

- containment of all production inside a new facility in which all work on Reebok balls is performed, including stitching. All workers must be age 15 or older;
- external monitoring to ensure that: a) children are not entering the workplace, and b) soccer ball panels are not leaving the factory where the risk exists that they may be stitched by children in stitching centers or in homes; and
- support of education and/or vocational education training for children in the soccer ball manufacturing region or Pakistan.

Reebok officials acknowledge that there are additional costs associated with creating a new facility that will house all production processes. According to Peter Moore, Senior Vice President of the Global Soccer/Rugby Division, this shift in manu-

⁵⁴ Reebok Letter to Colleagues. Reebok cautions that its experiment of placing child labor labels on its soccer balls is an extraordinary response to an extraordinary set of circumstances. Thus, its labeling system would not apply to other Reebok products. Reebok testimony at 8.

⁵⁵ According to Peter Moore, Reebok’s Senior Vice President, Global Soccer/Rugby Division, his company was “literally bombarded” by telephone calls and letters from U.S. consumers concerned that their soccer balls were being stitched by underage children. See Tim Shorrock, “Reebok readies first shipments with rights labels,” *The Journal of Commerce* (April 21, 1997) 3A.

⁵⁶ Reebok testimony at 8.

⁵⁷ “Dear Friend” letter from Peter Moore, Senior Vice President, Global Soccer/Rugby, Reebok International Ltd. (April 28, 1997) [on file] [hereinafter “Dear Friend” Letter].

facturing processes will cost Reebok approximately 15 percent more.⁵⁸ Reebok says these additional costs — associated with pensions, health insurance and transportation for workers at the new factory — will be absorbed by the company; the sales price of Reebok soccer balls will remain the same.⁵⁹

c. Program Implementation

According to Reebok, the Sialkot facility began making soccer balls in March 1997. Reebok hired three independent monitors to check the effectiveness of the program. Two of the monitors are associated with human rights organizations,⁶⁰ and the third is a Lahore-based affiliate of a major U.S. accounting firm.⁶¹ The two human rights monitors were asked to monitor the factory, interview workers, maintain ties to the local community, and visit surrounding villages to be sure no Reebok panels are stitched outside the factory. Each monitor has the right to inspect the facility on an announced or unannounced basis.⁶² The third monitor was hired to audit factory records in order to correlate the number of balls produced with the number of stitchers in the factory.⁶³ Reebok intends to make monitoring reports publicly available upon request.⁶⁴

Reebok says the auditing firm conducted a test audit in March 1997.⁶⁵ A representative of the auditing firm acknowledged they visited the plant and recommended that a number of accounting measures be implemented so that the firm could begin auditing records by August 1997.⁶⁶ Reebok notes that because other soccer balls are also being made by Moltex, the auditing process is very difficult. Reebok plans to reassess the value of engaging the outside auditing firm in addition to the human rights monitors.⁶⁷

Reebok issued the human rights monitors' first report on August 14, 1997, summarizing their findings from March through July 1997.⁶⁸ During the first five months of the project, the monitors visited the Moltex facility nine times to determine if children were present; three of the visits were unannounced. As of June 4, the

⁵⁸ Interview with Peter Moore, Senior Vice President, Global Soccer/Rugby Division, Reebok International Ltd., by U.S. Department of Labor official (April 18, 1997).

⁵⁹ Tim Shorrock, "Reebok readies first shipments with rights labels," *Journal of Commerce* (April 21, 1997) 3A.

⁶⁰ Reebok testimony at 7. They are Arshid Mehmood Mirza, a member of the Human Rights Commission of Pakistan and founding member of Rifahi Committee Roras, a rural development agency operating since 1971, and Shakoo Abdul Mirza, Executive Director of the Community Development Center, an organization dedicated to improving socio-economic conditions for people living in the rural areas of the Punjab.

⁶¹ Id. Lahore-based Ford, Rhodes, Robson, Morrow (FRRM) is an affiliate of the U.S. accounting firm Ernst & Young.

⁶² Id.

⁶³ Id.

⁶⁴ Id. See also "Dear Friend" Letter.

⁶⁵ Interview with Doug Cahn, Director, Human Rights Programs, Reebok International Ltd., by U.S. Department of Labor official (August 12, 1997).

⁶⁶ Interview with Ijaz Ahmed, FRRM, by U.S. Department of Labor official (June 14, 1997).

⁶⁷ Report of Doug Cahn, Director, Human Rights Programs, Reebok International Ltd., on Human Rights Monitoring of Soccer Ball Facility (August 13, 1997) [on file] [hereinafter Reebok Human Rights Report].

⁶⁸ Report of Human Rights Monitors on Production of Reebok Soccer Balls and Reebok Response, March 1, 1997 - July 31, 1997 [on file] [hereinafter Report of Human Rights Monitors].

monitors had found 236 workers in the factory, including 176 stitchers; 179 artisans working on a contract basis were also present. No children were found at the Moltex facility.

During an April 29 visit, the human rights monitors observed balls being made at Moltex for another major buyer.⁶⁹ The factory management said these balls were being sent out of the factory for stitching, but were not Reebok balls. In August, Reebok stated it had given Moltex a large enough order to fill up the company's manufacturing capacity, and non-Reebok balls would be out of the factory by September 30.⁷⁰

The monitors recommended that a plan be devised to clearly assure them that Reebok balls were not being stitched outside the factory. In May, Reebok authorized the human rights monitors to hire a guard to stand at the factory gate to make sure no Reebok ball panels are commingled with panels for other buyers as they leave the factory to be stitched elsewhere. The guard, who reports directly to the human rights monitors, was hired in June. He has been instructed to make sure that no Reebok panels leave the factory, and that no completed Reebok balls are coming in from the villages or outside stitching centers where children might be present. As of the end of July, the monitors informed Reebok that the guard has not observed any problems with Reebok balls entering or leaving the factory.

Reebok has commented on the monitors' report, stating that a number of health and safety concerns in the factory had been communicated to Moltex.⁷¹ In response, large posters with Reebok's human rights production standards translated into Urdu are being sent to Pakistan. Finally, Reebok acknowledges that a number of record keeping procedures are not yet complete, such as establishing personnel records with historical data and creating worker identification cards.

In addition to its new ball factory and monitoring project, Reebok is planning an educational project.⁷² The company has a three-year plan to improve educational opportunities for children in villages in the Sialkot area, specifically targeting displaced child workers. Reebok is working with the Society for Advancement of Education in Sialkot to implement the plan.

⁶⁹ On a visit to the Moltex facility on June 13, 1997, a U.S. Department of Labor official also observed other balls in the factory.

⁷⁰ Reebok Human Rights Report. Moltex's commercial director told a U.S. Department of Labor official that exclusive production for Reebok would start on or about August 1, 1997. Interview with Javed Iqbal by U.S. Department of Labor official (June 13, 1997).

⁷¹ Reebok Human Rights Report.

⁷² The first step of Reebok's Pakistan Education Project — a feasibility study — has now been completed. See Reebok testimony at 7. As of the end of July, the program to keep children in school had not yet begun, although Reebok had reportedly transferred payment for the rental of and renovation of space. Work is continuing on the design of a specialized curriculum that will be developmentally appropriate for the age group 9-13. (This is the group identified as most vulnerable in terms of leaving school and not returning; most of the children found stitching balls were also in this age group.) Reebok hopes to start the program in the fall of 1997. Interview with Doug Cahn, Director, Human Rights Programs, Reebok International Ltd., by U.S. Department of Labor official (July 28, 1997).

3. Baden Sports

a. Program Overview

Baden Sports, Inc. is a family-owned athletic ball manufacturer. Founded eighteen years ago, Baden sells baseballs, basketballs, broom balls, footballs, soccer balls, volleyballs and water polo balls.



Baden now imports soccer balls directly from one manufacturer in China. Baden recently shifted suppliers from Pakistan to China due to “complications facing the industry in solving this [the child labor] problem,”⁷³ and because they “never found the manufacturers in Pakistan to be reliable or trustworthy, and our experience is that you cannot inspect with confidence or expect that the Pakistani companies will adhere to any monitoring programs.”⁷⁴ Recent consumer inquiries, combined with market research indicating great consumer interest in the elimination of child labor, are Baden’s primary reasons for changing its supplier and production practices.

Baden claims that by switching suppliers to China, it has ensured elimination of child labor in its production of soccer balls: “With our newly automated manufacturing process for patent-pending stitched balls, we can now guarantee, and certify on the ball itself, that no child or slave labor has been used in the production of our soccer balls.”⁷⁵ A Baden representative also stated that the shift to China coincided with a corporate decision to produce machine-sewn balls.⁷⁶

Soccer balls imported by Baden bear the label: “*Certified: No Child or Slave Labor Used on this Ball.*” Baden also intends to produce packaging and advertisements stating that no child labor is used in the production of their soccer balls.

Baden began marketing soccer balls bearing the child labor-free label in 1997.⁷⁷ In a press release announcing the availability of the product, Baden CEO E.C. Schindler stated “it is our goal to ensure that soccer is played by children, not made by children. We are so sure of the integrity and quality of our products, we certify it.”⁷⁸

b. Program Structure

Baden soccer balls are stitched in China using sewing machines, leaving only the last patch to be hand-stitched after the ball is turned right side out and the bladder inserted.⁷⁹ This process is done entirely at a factory run by Kuan Ho Sporting Goods Company Ltd., a manufacturing facility located in Dongguan, Guangdong

⁷³ General letter from E.C. Schindler, President, Baden Sports, Inc. (June 1, 1997) [on file] [hereinafter Schindler letter.].

⁷⁴ See Response of Baden Sports, Inc. to Department of Labor voluntary questionnaire (June 2, 1997)[on file].

⁷⁵ Schindler letter.

⁷⁶ Interview with James Chan, Baden Asia representative, by U.S. Department of Labor official (June 16, 1997).

⁷⁷ “Baden Sports Joins Forces Against Child and Slave Labor,” Baden Sports press release (February 28, 1997).

⁷⁸ Id.

⁷⁹ Observation by U.S. Department of Labor official at manufacturing site (June 16, 1997).

Province, China.⁸⁰ Baden believes that through machine stitching it can obtain better quality and greater production volume using fewer workers. Baden claims that it can produce soccer balls 50 percent faster using sewing machines than stitching the balls by hand.⁸¹

Kuan Ho's manager explained the plant's recruitment policy to visiting Department of Labor officials. Under China's labor laws, no one under 16 years of age is permitted to work. About 400 of the 2,400 workers at the factory produce soccer balls.⁸² According to Kuan Ho's manager, most of the workers are female, earning about 60 to 70 percent above the local minimum wage of 500 yuan (\$60) a month, or up to 900 yuan (\$108).⁸³ The workforce is made up almost entirely of migrants from other provinces within China; according to the Kuan Ho manager, they have a stable workforce due to fairly liberal benefits, which include vacations and the possibility of returning home once a year.⁸⁴

Baden requires written certification from the manufacturer that child labor is not used in the manufacture of Baden products. According to Baden's Asia representative, the company also requires Kuan Ho to allow access to personnel records.

c. Program Implementation

Baden management states that the company's factory representative monitors the Kuan Ho facility weekly. The factory representative explained that he visits the plant to check for quality, design and child labor but did not indicate the frequency of his visits.⁸⁵ A form verifying the absence of child labor in the production of soccer balls is to be filled out during each visit and signed by Baden's factory representative and an officer of Kuan Ho.⁸⁶

Baden management states that, in addition to the procedures noted above, it requires its representatives to verify the no child labor statements and representations made by Kuan Ho officials. The factory representative told U.S. Department of Labor officials that during his factory visits, he accepts the word of the plant manager that they are not employing child labor.⁸⁷ In addition, Baden management stated that a representative from Baden's headquarters occasionally accompanies the factory representative on site visits to verify company policies are being carried out correctly.

⁸⁰ Kuan Ho Sporting Goods is a Taiwanese-invested firm affiliated with Top Ball Trading Company, Ltd. Kuan Ho has been producing rubber balls for the past six years. Its Taiwanese parent, Top Ball, developed a process to make machine-stitched soccer balls. So far, Baden is the only customer for these balls. Kuan Ho management states that all their soccer balls are made entirely in the factory.

⁸¹ Interview with James Chan, Baden Asia representative, by U.S. Department of Labor official (June 16, 1997).

⁸² Interview with Kuan Ho manager by U.S. Department of Labor official (June 16, 1997).

⁸³ Id.

⁸⁴ Id.

⁸⁵ Interview with James Chan, Baden Asia representative, by U.S. Department of Labor official (June 16, 1997).

⁸⁶ A copy of the letter from Kuan Ho Sporting Goods to the President of Baden Sports, Inc. (November 22, 1996), certifying that the Kuan Ho company does not use child or slave labor in the manufacture of any of their products was submitted by Baden to the U.S. Department of Labor [on file].

⁸⁷ Interview with James Chan, Baden Asia representative, by U.S. Department of Labor official (June 16, 1997).

The Department of Labor team received a copy of Baden's inspection report of Kuan Ho that certifies no child labor (i.e., no workers under sixteen) was being used in the production of soccer balls.⁸⁸ The copy of the inspection report itself had been prepared but not yet signed by the Baden representative or the Kuan Ho manager.⁸⁹

Baden has no set policy to deal with the discovery of a child worker.⁹⁰ Kuan Ho's plant manager was aware of Baden's child labor concerns even though Baden does not have a written corporate policy on human rights or a special training program that covers this topic.⁹¹ Workers at Kuan Ho were not aware of the purpose of Baden's labeling program.⁹² The firm's management believes that workers do not need to know about such a program, although human resource managers — who are responsible for the hiring — do.⁹³

Baden states that the price of its soccer balls will likely increase slightly as a result of the new manufacturing and monitoring process.

4. Other Child Labor Consumer Labels

More and more soccer ball companies are promoting child labor labels — particularly since the February 14, 1997 signing of the Partners' Agreement to Eliminate Child Labor in the Soccer Ball Industry in Pakistan (*see* Section E.1). The Department of Labor has received information on seven such labels. All the labels promise that the soccer balls are not made by children. Only one of the labeling programs, sponsored by Dunkin' Donuts, has a monitoring and certification component. Four of these labels are associated with brand-name soccer balls that are sold in retail outlets. The other two labels are produced both for retail outlets and youth soccer leagues/clubs in the United States.

a. Dunkin' Donuts Promotion

The spread of child labor-free labels for soccer balls is illustrated by a soccer ball promotion conducted by Dunkin' Donuts franchise outlets in New England during the 1997 summer season.⁹⁴ With any purchase, a customer could buy for \$9.99 a hand-stitched soccer ball bearing three logos: the Dunkin' Donuts logo; that of the New England Revolution,



⁸⁸ A copy of Baden's inspection report for Kuan Ho is on file. It was pointed out to the Baden representative that the label on the soccer ball also made claims about "no slave labor." He stated that the letter would be revised to include the "no slave labor" certification as well.

⁸⁹ The visit by U.S. Department of Labor officials took place June 16, 1997. The inspection report was dated June 18, 1997 but had not yet been signed.

⁹⁰ Interview with James Chan, Baden Asia representative by U.S. Department of Labor official (June 16, 1997).

⁹¹ *Id.*

⁹² Interview with workers at Kuan Ho factory by U.S. Department of Labor official (June 16, 1997).

⁹³ Interview with Kuan Ho manager by U.S. Department of Labor official (June 16, 1997).

⁹⁴ The New England stores are in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

the region's professional soccer team; and the statement "*Produced Without Child Labor*." Posters with a photo of Alexi Lalas, one of the star players of the New England Revolution, were placed in participating Dunkin' Donut stores; many of the posters stated "Ball Produced Without Child Labor" in their right bottom corner.⁹⁵ The promotion was originally intended to run during the months of June and July but was extended until all the balls in stock are sold.

The idea to put child labor-free labels on the promotional soccer balls came from Dunkin' Donuts New England franchisees, who expressed concern about child labor being used in the production of soccer balls made in Pakistan.⁹⁶ In response, letters from the U.S. Sporting Goods Manufacturers Association (SGMA) and Talon Sports⁹⁷ (the Pakistani manufacturer) were sent to Dunkin' Donuts stating that the balls would not be made by children. A committee of Dunkin' Donuts franchisees was uncomfortable relying solely on the promises of the manufacturer and the trade association. They agreed to approve the campaign only if the balls were certified "child labor-free" by an independent organization.

As a result of the franchisees' concern about the credibility of a "no child labor" guarantee, Dunkin' Donuts, working through a sports marketing consultant in charge of the campaign (Sports Team), requested that a Washington, DC-based NGO — the International Labor Rights Fund (ILRF) — serve as an independent monitor. Consequently, ILRF designed a monitoring program to ensure that soccer balls produced by Talon in Pakistan for Dunkin' Donuts were child labor-free. A six-month agreement between Sports Team and ILRF granted ILRF monitors total access to all Talon facilities, including its factories and stitching centers. Talon provided the ILRF with a map of the 43 stitching centers, a list of the names of all workers, and all of its records. Talon also consented to unannounced visits by the monitors, granting them access to all facilities and the ability to talk to workers without the presence of supervisory personnel.⁹⁸ ILRF monitors reported that they did not find any instances of illegal child labor.

At the end of the summer, Dunkin' Donuts representatives were to evaluate the soccer ball promotion program and determine whether to launch a spring campaign and whether it should be expanded beyond New England.⁹⁹

⁹⁵ According to the International Labor Rights Fund (ILRF), the stickers were to be placed on the posters noting that the soccer balls are certified child labor-free by the ILRF. There is some confusion about whether the sticker was put on the posters. U.S. Department of Labor officials visiting Dunkin' Donuts stores in the New England region observed that none of the posters they saw carried the certification sticker.

⁹⁶ Interview with representative of Sports Team by U.S. Department of Labor official (August 6, 1997); interview with Dan McCurry, *FoulBall* campaign director, International Labor Rights Fund, by U.S. Department of Labor official (July 24, 1997). This information was confirmed in an interview with Dunkin' Donuts officials in Boston by a U.S. Department of Labor official (August 7, 1997).

⁹⁷ Talon is a participant in the Pakistan Partners' Agreement (see Section E.1 below).

⁹⁸ Interview with Dan McCurry, *FoulBall* campaign director, International Labor Rights Fund, by U.S. Department of Labor officials (July 24, 1997).

⁹⁹ Interview with representative of Sports Team by U.S. Department of Labor official (August 6, 1997).

b. Individual Company Labels

Another example of new labels informing consumers that a soccer ball is made without child labor is that of individual companies promising that their balls are made only by adults. In response to the Department of Labor's voluntary survey, the Kmart Corporation provided the Department with letters from Seneca Sports, Inc., Franklin Sports, Inc., Molten U.S.A. and Spalding Sports Worldwide stating that they have or are planning to have a labeling program for soccer balls sold in Kmart stores. All four of the companies have endorsed the Partners' Agreement to Eliminate Child Labour in the Soccer Ball Industry in Pakistan and seem to base some of their no child labor assurances solely on this agreement. The following is some brief information about the claims made by each company to Kmart.

- In its letter to Kmart dated February 18, 1997, Seneca Sports, Inc. certified that its manufacturing facility in Pakistan "prohibits inhumane conditions, violations of human rights and the use of child labor." The letter further states that "our packaging will certify that no child labor was used in the manufacturing of Seneca Soccer Balls."¹⁰⁰ The package containing the Seneca ball states, "*Seneca® balls are certified as free from child labor.*" The box also states "Seneca Sports® Certified." A Seneca official informed the Department of Labor that in the past year it has been asking its Pakistani supplier, Awan Sports, for assurances that soccer balls produced for Seneca are child labor-free. The Seneca representative further stated that Awan Sports has consolidated all its soccer ball production into one facility, preventing the outsourcing of stitching operations, and thereby minimizing the chance of child labor. Both Seneca and Awan Sports endorse the Partners' Agreement.¹⁰¹
- Franklin Sports, Inc. informed Kmart on February 18, 1997 that it is a member of the Partners' Agreement, noting that a monitoring system had been implemented to ensure compliance with the Agreement.¹⁰² In addition, Franklin stated it will independently assure that: 1) factories manufacturing Franklin soccer balls will be monitored by an independent contractor on a quarterly basis, with reports available for review by Kmart management; 2) factories will use only factory managed labor in the production of soccer balls, eliminating any possibility that child labor could be used in a cottage industry environment; and 3) Franklin will include a visible mark/logo on packaging and/or product stating clearly that no child labor has been used in the production of the product, no later than July 1, 1997.¹⁰³



¹⁰⁰ Letter from Kenneth W. Pratt, Vice President/General Manager, Seneca Sports (February 18, 1997). In a follow-up interview, Seneca Sports noted that Seneca soccer balls are made in Pakistan and China, although only the balls made in Pakistan carry the no child labor guarantee. Interview with Seneca Sports representative by U.S. Department of Labor official (July 30, 1997).

¹⁰¹ Interview with Seneca Sports representative by U.S. Department of Labor official (July 30, 1997).

¹⁰² The monitoring system established under the Partners' Agreement had not been fully determined in February, nor had it been fully implemented by the time this report was published (see Section E.1).

¹⁰³ Letter from Larry J. Franklin, President, Franklin Sports, Inc., (February 18, 1997) [on file].

The president of Franklin Sports explained that placing a child labor-free label on the balls “is a visible way to tell people that we are in compliance with the Partners’ Agreement. Also, retailers want assurances that our balls were not made by children.”¹⁰⁴

In a follow-up interview with the Department of Labor, Franklin confirmed that effective July 1, 1997, a label reading “*Manufactured Without Child Labor*” is being printed on balls made in Pakistan and exported to the United States. Franklin believes that stitching centers are being set up to centralize production and better manage who stitches the soccer balls. Franklin notes that they are relying solely on the Partners’ Agreement to monitor production. Franklin requires all its Pakistani manufacturers to be members of the Partners’ Agreement.¹⁰⁵

- Molten U.S.A., in a letter to Kmart dated February 21, 1997, stated that “we can now guarantee that no child labor will be used in any phase of the production of soccer balls supplied to Kmart Corporation.” The letter further states that Molten U.S.A. “will begin to include a sticker on the cosmetic package referencing the child labor issue as soon as the stickers are produced. This should be no later than March 15.” A representative of Molten explained that its soccer balls are made in Pakistan, India and China, although the labels described in their letter to Kmart refer only to balls made in Pakistan. The representative stated that both Molten and their Pakistani supplier, Sublime Sports, are members of the Partners’ Agreement. As of mid-August, however, Molten had not put “no child labor” labels on its Pakistani-made soccer balls. The company maintains that it is in the process of investigating the issue of child labor in Pakistan, and wants to ensure that any child labor-free guarantee made by Molten is absolutely credible.¹⁰⁶
- Spalding Sports Worldwide stated in a February 21, 1997 letter to Kmart that all Spalding soccer ball manufacturers comply with the industry criteria and Spalding’s Worldwide Labor Policy. The letter further states that Spalding is a member of the Partners’ Agreement. Finally, the letter states that Spalding has added the following logo to all its soccer packages: “*No Child Labor Used to Produce This Product.*” A representative of Spalding explained that Spalding sources 75 percent of its soccer balls from Pakistan; the remaining balls are made in China, but are molded and



¹⁰⁴ Interview with representative of Franklin Sports by U.S. Department of Labor official (August 26, 1997).

¹⁰⁵ Interviews with representative of Franklin Sports by U.S. Department of Labor official (August 12 and 26, 1997).

¹⁰⁶ Interview with representative of Molten, U.S.A., Inc., by U.S. Department of Labor officials (July 30, 1997 and August 19, 1997).

¹⁰⁷ During a site visit in Pakistan, a U.S. Department of Labor official was told by Shahzed Cheema, Director of Recto Sports, that it supplies 75 percent of Spalding’s soccer balls and volley balls annually. Mr. Cheema further stated that Recto was in the process of establishing 17 stitching centers, employing 1500-1600 workers. Interview with Shahzed Cheema, Director, Recto Sports, by U.S. Department of Labor official (June 11, 1997).

not hand-stitched. Spalding's two Pakistani manufacturers, Recto Sports¹⁰⁷ and Taj Mahal, are members of the Partners' Agreement. Spalding requires its manufacturers to certify Spalding balls have been produced without the use of child labor. Additionally, Spalding says that its quality control personnel visit the Pakistani facilities frequently and ensure that no child labor is used.¹⁰⁸

c. Child Labor Labeled Soccer Balls Provided to Youth Soccer Leagues

In addition to the five companies listed above, other companies selling balls directly to youth soccer leagues are making "no child labor" claims. While there may be a number of companies supplying labeled balls to youth soccer leagues, the following two have come to the attention of the Department of Labor.

- The Department of Labor obtained a soccer ball used at "The 1997 Virginian Tournament," held in Springfield, Virginia, which carries the label "*No Child Labor Involved: Adult Sewn Product.*" According to the information printed on the ball, it was made in Pakistan and imported by American Challenge, a U.S. importer of soccer balls. American Challenge officials informed the Department of Labor that its Challenge soccer balls are manufactured exclusively by JSD Sports (Pvt.) Ltd. in Sialkot, Pakistan.¹⁰⁹ American Challenge has provided the Department of Labor with a letter from the Assistant Director of Labour Welfare, Government of the Punjab, stating that the mentioned manufacturer "is abiding by all the by-laws in relation with employment of 'child labor' and there is no worker in the factory below the age of fifteen years. It is further certified that all workers/employees are free to leave the job and no bonded labour is involved in the manufacturing of products of the said concern."¹¹⁰



American Challenge stated that the company has been producing soccer balls with a "no child labor" label since January 1997. The soccer balls are sold to various dealers and individuals.¹¹¹

- The American Soccer Company supplies soccer balls to youth soccer leagues, soccer clubs, and stores under the brand name SCORE. In the past year, the American Soccer Company began to distribute SCORE soccer balls with a

**ADULT
SEWN
PRODUCT**

¹⁰⁸ Interview with Chris Waldeck, Product Manager, Spalding Sports Worldwide, by U.S. Department of Labor official (August 12, 1997).

¹⁰⁹ Interview with representative of American Challenge by U.S. Department of Labor official (August 12, 1997).

¹¹⁰ Letter from the Assistant Director, Factories II, Labour Welfare Department, Government of the Punjab, Sialkot, Pakistan (January 4, 1996)[on file]. The letter, addressed to "To Whom it May Concern" and dated January 4, 1997, notes that there is no worker in the factory below the age of fifteen. All available literature about child labor in Pakistan's soccer ball industry states that children are found stitching soccer balls outside the factory. Therefore, it would be rare to find children working in any soccer ball factory.

¹¹¹ Interview with representative of American Challenge by U.S. Department of Labor official (August 12, 1997).

label stating, “*Adult Sewn Product.*” A SCORE representative said that placing the labels on the balls coincided with the signing of the Partners’ Agreement, of which they are a member. SCORE requires that its Pakistani manufacturers be members of the Partners’ Agreement as well. One of SCORE’s suppliers in Pakistan is Talon Sports. Talon has provided letters to SCORE assuring that they do not use child labor in the production of their soccer balls. SCORE hopes to send company representatives to Pakistan at the end of the year to visit Talon and verify the no child labor assurances are accurate.¹¹²

The two major organizations that sponsor and regulate youth soccer leagues in the United States, the United States Youth Soccer Association, Inc. (USYSA), and the American Youth Soccer Organization (AYSO), have both publicly condemned the use of child labor in the manufacturing of soccer balls.¹¹³ The official equipment supplier of the USYSA, the larger of the two groups, is Adidas, which does not place labels on its balls. The official ball of the AYSO is Spalding, which is placing child labor-free labels on AYSO sanctioned balls (see above). The AYSO states that it has obtained a guarantee from Spalding that its manufacturers do not engage in violation of children’s rights, and that no child labor is used in the manufacturing of any of its products. Prior to this year, the official ball of the AYSO was SCORE, which is now placing no child labor labels on some of its balls.

E. Codes of Conduct in the Soccer Ball Industry

In addition to the increase in child labor labels in the soccer ball industry, voluntary codes of conduct prohibiting child labor are also becoming more common. Such codes have been adopted by soccer organizations, sporting goods manufacturers, importers and retailers of soccer balls.

This section first describes codes adopted by national and international organizations. The section then discusses the implementation of codes of conduct by individual U.S. importers and retailers of soccer balls, based on responses to a U.S. Department of Labor survey, other information gathered during the research for this report, and field visits by U.S. Department of Labor officials.

1. Partners’ Agreement to Eliminate Child Labor in the Soccer Ball Industry in Pakistan

On February 14, 1997, in Atlanta, Georgia, representatives of the Sialkot Chamber of Commerce and Industry (SCCI),¹¹⁴ the International Labor Organization (ILO)

¹¹² Interview with representative of SCORE American Soccer Company by U.S. Department of Labor official (August 25, 1997). Again, the Partners’ Agreement was not adopted until February 14, 1997; its exact provisions regarding monitoring took a number of additional months to be agreed upon, and at the time of publication of this report had not been fully implemented.

¹¹³ See “Statement from the Chairman, U.S. Youth Soccer,” press release of the U.S. Youth Soccer Association, Inc. (undated); and “AYSO Takes Strong Position in Fight Against Child Labor Abuses,” press release of the American Youth Soccer Organization (January 1997)[on file].

¹¹⁴ The SCCI is a trade body of 3,000 industrialist, importers and exporters. Most of its members are connected with sporting goods, surgical instruments, leather garments, musical instruments and garments.

and the United Nations Children's Fund (UNICEF) signed the Partners' Agreement to Eliminate Child Labour in the Soccer Industry in Pakistan.¹¹⁵ The goals of the Partners' Agreement are the elimination of child labor in soccer ball production and the eventual elimination of child labor in other industries in the Sialkot area. This will be accomplished through the creation of new opportunities for children with an emphasis on education and training. The Partners' Agreement has two basic program elements: a prevention and monitoring program and a social protection program. A Coordinating Committee comprised of the Partners and NGOs will administer the project.¹¹⁶ Both segments of the Partnership Agreement are due to begin in late 1997.

Companies endorsing the agreement "agree to source balls made in Pakistan exclusively from manufacturers who indicate their commitment to act responsibly to ensure that children are not utilized to make soccer balls by participating in the voluntary industry program."¹¹⁷ In all, 55 soccer ball companies have endorsed the Partners' Agreement.¹¹⁸

a. Prevention and Monitoring Program

The prevention and monitoring program will set up a registry and internal and external monitoring systems and replace home-based production with village-based stitching centers. The program will be managed by the ILO. The objective of the program is to have the factories and stitching units of at least 22 manufacturers and their subcontractors free of child labor within 18 months:¹¹⁹

- **Internal monitoring:** In order to determine whether soccer ball manufacturers are complying with the Partners' Agreement, a registry of personnel and production sites will be established. This registry is the core of the internal monitoring system. Manufacturers participating in the program must provide the following information to the ILO by January 1, 1998.

¹¹⁵ The U.S. Department of Labor is providing approximately \$755,000 to implement the Partners' Agreement through its contribution to the ILO's IPEC program. Additional funds will be provided by the SCCI (\$220,000), UNICEF (\$200,000) and the Soccer Industry Council of America (\$100,000).

¹¹⁶ The NGOs are Save the Children-UK and the Bunyad Literacy Community Council. The Pakistan Bait-ul-Mal, a social welfare agency set up by the Prime Minister's office, also participates in the project.

¹¹⁷ "The Pledge," World Federation of Sporting Goods, Sporting Goods Manufacturers Association and Soccer Industry Council of America news release (undated).

¹¹⁸ The following companies have endorsed the Partners' Agreement: Action & Leisure (Uhl'sport), Adidas, Admiral, American Challenge Enterprises, American Soccer Co. (SCORE), Attack, Baden Sports, Brine, Cambuci, Chelsea Trading Company, Cizen, Continental Sports, Diadora, DTI Soccer, Eiger, Franklin, Funnets, High Five, Hutch, Kappa, Kendis, Kwik Goal, Lanzera, Lotto, Maco (Athle Sports), Mikasa, Mizuno, Molten, Nassau, Nike, Nimatsu, Park & Sun, Patrick USA, Penalty, Pentland (Mitre), Pro-Touch, Puma, RAM Sport (Classic Sport), Reebok, Regent, Saf-Med Products (Quattro), Sekhon Sports, Select, Seneca, Sondico, Soccer Pal, Soccer Sport Supply (Doss), Spalding, Sportcraft, Tachikara, Talon, Three Epsilon, Umbro, Wilson and Xara.

¹¹⁹ According to a SCCI representative, 23 companies in Sialkot, representing more than 80 percent of the area's soccer ball production had signed up to participate in the Partners' Agreement by June 1997. Interview with SCCI representative by U.S. Department of Labor official (June 11, 1997). One manufacturer told the Department official that he could not afford to participate in the Partners' Agreement because of the high initiation fee — 100,000 Pakistani rupees (about \$2,500). Also, he was not prepared to incur the extra cost to consolidate his production sites or pay the additional labor costs, such as social security and education taxes. Such investments would raise his cost of doing business by 20 percent, thus jeopardizing the firm's existence. Interview with Craftsman (Pvt.), Ltd. representative by U.S. Department of Labor official (June 11, 1997).

- i) registration of the names and contact information of all subcontractors;
- ii) registration of the names, addresses and ages of all stitchers working for the subcontractors and identification of child workers under the age of 14 to be removed and placed in social protection programs;
- iii) a reasonable estimate of the annual target capacity of soccer balls to be produced by the manufacturer and a reasonable estimate of the number of stitchers to produce this amount;
- iv) registration of all stitching units no less than 25 percent of the annual target capacity; and
- v) registration of names and contact information of new subcontractors, and names, addresses and ages of new stitchers.

The manufacturers are required to update the list of new subcontractors and stitchers every six months, and to have registered all the stitching units representing one-hundred percent of the annual target capacity by January 1999.

- **External monitoring:** The accuracy of the internal monitoring system will be checked by establishing an external monitoring system. The ILO will hire and train independent monitors to visit the stitching centers on an unannounced basis to verify the information provided by the internal monitoring system. The monitors will have free access to all stitching centers operated by manufacturers and subcontractors. Weekly and monthly monitoring reports will be made available to the ILO; reports of violations of the Agreement will be given to the Coordinating Committee on a monthly basis or whenever requested.

b. Social Protection Program

At the same time that a system is being put into place to phase children out of the soccer ball industry, a program will be established to provide the children with education and rehabilitation. The program includes a campaign to change community attitudes toward child labor in the soccer ball industry. Children and families identified by the internal monitoring program will receive non-formal education, counseling, health services, training in income generation for adults, provision of credit/savings facility for adults and pre-vocational training. Younger children will be mainstreamed to formal schools. A number of village education and action centers (VEA centers) will be set up to provide these services. The centers will be run by the Bunyad Literacy Community Council, a Pakistani NGO focusing on basic education, and the Pakistan Bait-ul-Mal, a social welfare agency set up by the Prime Minister's office.

2. Sportsgoods Manufacturers and Exporters Association (India)

As programs to eliminate child labor in the Pakistani soccer ball industry gained momentum and attention this year, representatives of the sporting goods industry in India also have begun deliberations about combating child labor. In April 1997, members of the Indian Sportsgoods Manufacturers and Exporters Association joined representatives of NGOs, government, trade unions and international organi-

zations in the First National Consultation on Child Labor in the Sports Goods Industry, organized by the Indian human rights group South Asian Coalition on Child Servitude (SACCS). The purpose of the meeting was to discuss the problem of child labor in the industry and create a plan of action for the elimination of child labor. Among the coalition's recommendations was to establish an ethical code of conduct and an independent, professional and credible monitoring system to ensure the absence of child labor.¹²⁰ The Joint Committee on Child Labor in the Sporting Goods Industry was created, consisting of 8 industry representatives, 3 NGO representatives, the Sports Goods Export Promotion Council (a governmental body), the ILO and UNICEF.

At the same time that the Joint Committee was being established by SACCS, members of the Sportsgoods Manufacturers and Exporters Association of India¹²¹ held a special meeting to discuss child labor in May 1997. The meeting, attended by 25 of the largest soccer ball manufacturers and exporters in India, the ILO and the World Federation of Sporting Goods Industry,¹²² was called in response to a May 1997 Christian Aid report on child labor in the Indian sporting goods industry and recent negative media coverage in the United Kingdom.¹²³

In a declaration prior to the May meeting, the Indian Sportsgoods Manufacturers and Exporters Association stated its opposition to child labor. Similar to the industry leaders in Pakistan, the Indian association explained that there are no children producing soccer balls in the factories themselves,¹²⁴ but that subcontractors could be distributing work to village shops and homes where child labor is more likely to be found.¹²⁵ To deal with this problem, the Association adopted a self-monitoring system consisting of the following elements:

- the industry will: (1) identify stitchers and prepare lists of their names, address, ages, sex, address of workplace, etc.; (2) identify children working in homes or in factories; and (3) cross check the lists of stitchers with the number of stitched balls, and/or other goods exported annually from India;
- the first monitoring of the lists will be conducted by the Sportsgoods Manufacturers and Exporters Association, Jalandhar;
- a second monitoring will be conducted by the Sports Good Export Promotion Council; and

¹²⁰ General letter from Dr. Lenin Raghuvanshi, South Asian Coalition on Child Servitude (April 18, 1997) [on file].

¹²¹ This is a group of leading exporters based in Jalandhar.

¹²² Interview with André Gorgemans, Secretary General, World Federation of the Sporting Goods Industry, by U.S. Department of Labor official (June 3, 1997).

¹²³ See A Sporting Chance at 9. Press coverage in the U.K. focused on allegations of child labor used in sewing balls for the most successful soccer club in the U.K., Manchester United. A photograph and signature of one of the club's celebrity players, Eric Cantona, was on the balls.

¹²⁴ The Sportsgoods Manufacturers and Exporters Association, *Indian Sports Goods Industry and Child Labour* (May 21, 1997) (mimeograph) [on file].

¹²⁵ "Child Labour in Sports Industry," Sportsgoods Manufacturers and Exporters Association press release (undated), received by a U.S. Department of Labor official (June 4, 1997).

- the third monitoring will be done by an outside agency such as the Indian Labor Department or the ILO.¹²⁶

At a June 1997 meeting, the chairman of the Sportsgoods Manufacturers and Exporters Association asked that all members fill out forms “to identify child labour”¹²⁷ employed directly or indirectly in the production of soccer balls. While the Association deems the monitoring system as self-certifying, it acknowledges that some form of independent monitoring is necessary for the system to be credible.¹²⁸ Whether an Indian government agency is considered to be independent for purposes of monitoring is open to question. The Sportsgoods Manufacturers and Exporters Association has also encouraged members to work with the Punjabi state government, which will reportedly provide assistance if members are interested in setting up centralized stitching centers in lieu of using individual subcontractors.¹²⁹

On September 13, 1997, the Sportsgoods Manufacturers and Exporters Association reported that 27 exporting companies have provided information on their stitchers. Eighteen of these companies have obtained lists of stitchers from their contractors.¹³⁰

3. FIFA

The International Federation of Football Associations (FIFA)¹³¹ authorizes the use of its logo on soccer balls that meet international matchball standards. On September 3, 1996, FIFA announced an agreement with three international unions¹³² on a Code of Labor Practice for all goods bearing its logo.¹³³ Use of the FIFA logo by a licensee would signify that production was carried out in compliance with ILO Conventions banning child labor and forced labor, ensuring non-discrimination in employment, guaranteeing the right of workers to form and join trade unions and to bargain collectively, and ensuring payment of a minimum wage.¹³⁴ These commitments would be binding not only on the licensees, but also on each contractor and subcontractor in the production and distribution of FIFA-licensed products.¹³⁵

¹²⁶ Minutes of a special meeting of the Sportsgoods Manufacturers and Exporters Association (May 31, 1997) [on file].

¹²⁷ Sportsgoods Manufacturers and Exporters Association, *Child Labour Issue* (June 18, 1997) (mimeograph) [on file].

¹²⁸ Interview with André Gorgemans, Secretary General, World Federation of the Sporting Goods Industry, by U.S. Department of Labor official (June 3, 1997).

¹²⁹ Sportsgoods Manufacturers and Exporters Association, *Child Labour Issue* (June 18, 1997) (mimeograph) [on file].

¹³⁰ Letter from Satish Wasan, Honorary Secretary, Sportsgoods Manufacturers and Exporters Association, to the Secretary, Sportsgoods Manufacturers and Exporters Association, (September 13, 1997) (mimeograph) [on file].

¹³¹ The acronym is from the French name: Fédération Internationale de Football Association.

¹³² The three unions are the International Confederation of Free Trade Unions (ICFTU), the International Textile, Garment and Leather Workers' Federation (ITGLWF) and the International Federation of Commercial, Clerical, and Technical Employees (FIET).

¹³³ “Labour Code for Footballs,” FIFA press release (September 3, 1996)[on file].

¹³⁴ ILO Conventions 29 and 105 address the issue of forced or bonded labor. Conventions 100 and 111 address equality of employment and treatment regardless of race, color, sex, religion, political opinion, nationality, social origin, or other distinguishing characteristic. Convention 138 addresses the issue of child labor. Convention 87 and 98 address the right of workers to form and join trade unions and to bargain collectively.

¹³⁵ Code of Labour Practice for Production of Goods Licensed by the Fédération Internationale de Football Association (FIFA) (September 3, 1996).

The FIFA Code of Labour Practice has not been embraced by soccer ball manufacturers or importers. In the year since the Code of Labor Practice was announced, FIFA has endorsed the Partners' Agreement but has not issued any information on the implementation of the FIFA code.¹³⁶

4. Survey Results

In addition to endorsing the Partners' Agreement, some U.S. importers of soccer balls have issued their own codes of conduct that prohibit the use of child labor. Some retailers have also adopted similar codes of conduct.

In order to gather information on the extent and implementation of codes of conduct and labeling programs regarding child labor in the soccer ball industry, the U.S. Department of Labor conducted a voluntary survey of 7 importers and 3 retailers of soccer balls.¹³⁷ (See Box IV-1 for a list of the companies surveyed and Appendix B for the Company Questionnaire). Nine companies responded to the survey: Adidas, Baden Sports, Brine, Kmart, Nike, Pentland (Mitre), Reebok, Umbro, and Wal-Mart.

The respondents indicated they import soccer balls either directly from foreign manufacturers in China, Indonesia or Pakistan, or through a U.S.-based purchasing agent.

- Six of the seven importers source their soccer balls directly from a foreign manufacturer; one firm (Pentland) also sources its balls through a purchasing agent. The seventh, Adidas, currently imports its soccer balls through a licensee, Molten, U.S.A. None of the seven importers own foreign manufacturing facilities. However, Reebok and Nike have invested in special facilities being built by their Pakistani producers in order to meet their child labor-free production policies.
- The two retailers responding to the survey use U.S. licensees or purchasing agents to obtain soccer balls. Kmart, for example, purchases soccer balls from Seneca Sports, Franklin Sports, Molten U.S.A., and Spalding Sports (see Section D.4.b. above).

Seven of the companies responding to the survey indicated they have a written corporate policy prohibiting child labor. The written policies take the form of a code of conduct, vendor agreement, purchase order, or statement of principles. In cases where the company purchases and/or sells numerous products, the code

¹³⁶ Interview with FIFA representative by U.S. Department of Labor official (August 12, 1997). In a separate development, the Irish Congress of Trades Unions and the Football Association of Ireland agreed to a code of labor practice for soccer balls, including a prohibition against child labor in May 1997. The Code is based upon the FIFA Code of Labor Practice. According to the International Confederation of Free Trade Unions (ICFTU), Ireland is the first country where a national code of practice has been adopted by a football federation. "Irish Unions win victory over child labour in sporting goods industry," ICFTU On-Line (May 22, 1997).

¹³⁷ The 7 importers were chosen for the survey because of their appearance on the Market Share Reporter, 1995 "Soccer Ball Brand Preference" survey; their status as "official ball" for a particular soccer league; or information suggesting that their balls are not made with child labor or they have a child labor-free label. The three retailers chosen as survey participants are the top sporting goods retailers (that also sell soccer balls) as reported in an annual survey of 300 sporting goods retailers, "Top 100 Retailers," *Sports Trend* (June 1997).

Soccer Ball Importers and Retailers Surveyed

Adidas America, Inc.
 Baden Sports, Inc.
 Brine, Inc.
 Kmart Corporation
 Nike, Inc.
 Pentland Sports Group (Mitre)
 Reebok International Ltd.
 The Sports Authority, Inc. *
 Umbro, U.S.A.
 Wal-Mart Stores, Inc.

*Company either did not respond to the survey or designated its response business confidential.

applies to all the products, not just soccer balls. Copies of the policies are reproduced in Appendix C.

All seven importers (Adidas, Baden Sports, Brine, Nike, Pentland (Mitre), Reebok and Umbro) have endorsed the Partners' Agreement in addition to their individual corporate policies against child labor.

- Brine stated that it has no written policy prohibiting child labor, although it is a member of the Partners' Agreement and has always made it clear to suppliers that child labor is unacceptable. However, this policy is not included in their purchase orders or vendor agreements.
- Adidas' licensing agreement requires its licensees and manufacturers to comply with all applicable laws, including those prohibiting child labor. Manufacturers are also required to ensure that subcontractors comply with these standards. Failure to comply may be a basis for terminating the agreement.
- Although Baden has no written code of conduct prohibiting child labor, they require their factory representatives to verify that no children are engaged in making their products.
- Nike's code of conduct prohibits the use of child labor. Child labor is defined as a person under the age of 15, unless national law states that the minimum age for work is fourteen — or — the age at which compulsory schooling has ended, whichever is greater.

T A B L E IV- 2

Type of Policy Prohibiting Child Labor
(Based on Responses to Department of Labor Questionnaire)

Company	Labeling Program ^a	Code or Statement of Principles ^b	Purchase Order Requirement ^c	None
Adidas America, Inc.*			•	
Baden Sports, Inc.*	•	•		
Brine, Inc.*				•
Kmart Corporation		•	•	
Nike, Inc.*		•		
Pentland Sports Group (Mitre)*		•	•	
Reebok International Ltd.*	•	•		
Umbro, U.S.A.*		•		
Wal-Mart Stores, Inc.		•		

*Company participates in the Partners' Agreement to Eliminate Child Labour in the Soccer Ball Industry in Pakistan.

^a Company has its own labeling program.

^b Company has a formal code of conduct, statement of principles or compliance certificate.

^c Company has a purchase order, letter of credit, or buying agent agreement, which contains a specific prohibition on child labor in overseas production.

- Pentland's letter of credit requires suppliers to certify that items were not mined, produced, manufactured, assembled or packed by the use of child labor as defined by national law.
- Kmart's Workplace Code of Conduct is applicable to all suppliers and the suppliers' subcontractors in the United States and abroad. Kmart's code requires suppliers and their contractors to comply with local child labor laws and regulations. Children under the local legal age should not be employed by the supplier.
- Reebok's code of conduct states that it will not work with business partners that use child labor. Reebok defines child labor as work performed by a person under 14, or younger than the age for compulsory schooling, whichever is higher.
- Umbro requires its suppliers to sign a pledge every year certifying that they are observing national child labor laws.

- Wal-Mart's Standards for Vendor Partners declares that Wal-Mart will not tolerate the use of child labor in the manufacture of products it sells. The standard applies to vendor partners as well as to their contractors, subcontractors or any other entity with whom they have a relationship for the manufacture of products sold by Wal-Mart. Wal-Mart defines child labor as work by a person younger than 15 (or 14 if so designated by national law) or younger than the age for completing compulsory education if that age is higher than 15.

Only three respondents — all importers — indicated that they communicate their no child labor policy directly to consumers. The remaining importers and retailers report either that they have no method to inform consumers that no child labor is used in the foreign production of soccer balls, or that their suppliers label the balls.

- Reebok and Baden have adopted labels to inform consumers that their soccer balls are made without child labor (*see* Section D above). Reebok's code of conduct is reproduced on its internet website.
- Nike said that consumers can learn about their no child labor policy on its internet website or by calling a toll-free number set up by the Soccer Industry Council of America that lists the names of companies participating in the Partner's Agreement.
- Kmart noted that their four suppliers (Seneca Sports, Franklin Sports, Molten U.S.A., and Spalding Sports) have submitted letters indicating that they would label the balls child labor-free. Three of the four suppliers (Seneca Sports, Franklin Sports, and Spalding Sports) are now selling labeled balls to Kmart (*see* Section D.4.b. above for a more detailed discussion).
- Brine noted that they do not have a separate mechanism for informing consumers that a soccer ball is not made by children, as their brand name alone should stand for not using child labor. Brine raised the concern that creating a special "not made with child labor" designation will lead to exploitation of the situation, and that smaller manufacturers that are financially unable to mount a large no child labor public relations campaign are bound to suffer even if they do have a no child labor commitment.

The companies surveyed indicated that they utilize a variety of means to monitor that their codes of conduct or policies on child labor are respected by their suppliers. Details of Reebok, Baden, and Kmart's monitoring procedures are found in Section D above. Table IV-3 illustrates the type of monitoring the respondents employ.

Seven of the nine respondents (Adidas, Baden, Brine, Kmart, Nike, Reebok and Wal-Mart) stated that they use contractual monitoring, i.e., they require their suppliers, through contractual agreements, to certify that their soccer balls are not made by children. The two retailers (Kmart and Wal-Mart) use only contractual monitoring to ensure their policy is being properly implemented.

Seven of the nine respondents (Adidas, Baden, Brine, Nike, Pentland, Reebok and Umbro) send company staff, buyer agents or other parties to inspect facilities to verify that suppliers are actually implementing their code of conduct. Nike and Reebok indicated that, in addition to contractual and internal monitoring, they use external accounting, auditing, testing or consulting firms, and/or NGOs to monitor labor practices. In response to the Department's survey, some respondents submitted letters from the local Pakistani Labor Department certifying that a factory manufacturing soccer balls is free of child labor.

Adidas, Brine, Nike, Pentland, Reebok and Umbro explained that they rely on the system established by the Partners' Agreement to monitor their child labor policy — in addition to any monitoring they might conduct on their own. Companies that support the Partners' Agreement pledge only to do business with Pakistani manufacturers who participate in the Agreement and consent to internal and external monitoring. As indicated above, however, the internal and external monitoring programs established by the Agreement have not yet been fully implemented.

T A B L E I V – 3

*Monitoring Strategies for Compliance with International Child Labor Policies
(Based on Responses to Department of Labor Questionnaire)*

<i>Company</i>	<i>Contractual Monitoring^a</i>	<i>Internal Monitoring^b</i>	<i>External Monitoring^c</i>
Adidas America, Inc.	•	•	
Baden Sports, Inc.	•	•	
Brine, Inc.	•	•	
Kmart Corporation	•		
Nike, Inc.	•	•	•
Pentland Sports Group (Mitre)		•	
Reebok International Ltd.	•	•	•
Umbro, U.S.A.		•	
Wal-Mart Stores, Inc.	•		

^a Company relies on guarantees made by suppliers through contractual documents or certificates that they are adhering to the company's policies.

^b Company uses site visits and inspections by company staff, buyer agents, or other parties to verify that suppliers are actually implementing the codes of conduct.

^c Company uses external accounting, auditing, testing or consulting firms, NGOs, or international organizations to monitor labor practices.

- Local and quality control personnel employed by Adidas regularly visit manufacturers facilities. Adidas submitted a letter from the Punjabi Directorate of Labour Welfare attesting that children have never been found in the factory of their supplier, Sublime Sports.
- Kmart's code of conduct requires suppliers and their subcontractors to allow full access to their facilities at all times for inspections by Kmart representatives or independent firms retained by Kmart. Kmart states that it has never found any child labor in the production of soccer balls.¹³⁸

It is not clear whether Kmart's monitoring system specifically applies to the soccer balls sold in their stores. However, in February 1997, Kmart received letters from four soccer ball suppliers assuring the retailer that the balls were not made by children. The suppliers' letters informed Kmart that each company is participating in the Partners' Agreement.

- Nike imports soccer balls from SAGA Sports in Sialkot. Nike and SAGA determined jointly that the best way to eliminate child labor was to create village stitching centers where it would be easier to monitor the ages of the stitchers. By mid-1997, three stitching centers were operating with two additional centers scheduled to be completed by September 1997.¹³⁹ One of the centers is exclusively for women. Nike states that it monitors its code of conduct in Pakistan through its own internal procedures, and by using a Pakistani affiliate of Grant Thornton as an external monitor.
- Pentland's soccer ball product managers visit their production facilities about three times a year to monitor compliance with their child labor policy. Pentland noted, however, that it is difficult to monitor for child labor since children are seldom found in the factories, but stitch soccer balls in homes and small workshops in the rural areas.

Over the next two years, Pentland plans to implement a China-specific monitoring plan in response to their concern about the use of child labor in China's soccer ball industry. The policy will have three components: 1) better factory control of home working situations; 2) documenting the age of young factory workers; and 3) protecting older working children (14, 15, 16 and 17 year olds) by restricting overtime and identifying areas of potential hazard where they should not be working.

¹³⁸ Interview with Dale Apley, Kmart Director of Government Affairs, by U.S. Department of Labor official (August 7, 1997).

¹³⁹ A U.S. Department of Labor official visited one of the SAGA Sports stitching centers in a village in the Sialkot area. The stitching center consisted of a main stitching hall that can accommodate 400-500 stitchers, a lunch room, a store, a day care center and a medical office. Employee benefits include free transportation to and from work, lunch and tea breaks provided at no charge, and a store called a "Fair Price Shop" which sells non-perishable foodstuffs, oil, ceramic dishes and toiletries reportedly discounted 20 percent. A large plaque with Nike's code of conduct was placed in the stitching hall's entrance. Visit by U.S. Department of Labor official (June 13, 1997).

- Umbro personnel make spot-checks at suppliers' factories in 4-8 week cycles. Umbro stated that although they conduct spot checks on "external stitching facilities," they can never be completely certain that no child labor is being used.

F. Conclusion

There has been significant public attention focused on the use of child labor in the soccer ball industry.¹⁴⁰ Most reports describe Pakistani children sitting for hours a day in small workshops stitching soccer balls. Other more recent reports describe a similar situation in India's soccer ball industry. Soccer balls are also made in China and Indonesia, but the Department is not aware of any child labor allegations in the soccer ball industries of these countries. One company surveyed for this report, however, plans to implement an internal monitoring system in China due to concerns of child labor.

Children stitch soccer balls in small workshops or homes, many times in remote rural areas. It is rare for a child to be found working in a large soccer ball factory. In Pakistan and India, child labor laws prohibit children from working in factories, but not in the type of subcontracting or homework arrangements common to the soccer ball industry. Some of the children work full-time. Others work during non-school hours. Many work for up to nine or ten hours a day.

The international soccer ball industry has responded to the child labor accusations by creating codes of conduct and monitoring systems. In February 1997, Pakistani manufacturers signed an agreement (Partners' Agreement) with the ILO and UNICEF to phase children out of the industry, to provide education and other services to them, and to participate in internal and external monitoring programs. Over 50 U.S. and Pakistani companies pledged to support the agreement. By the time this report was written, the Partners' Agreement was not yet fully operational. In India, the industry is moving toward an agreement to stop the use of child labor. Discussions are underway between representatives of the industry, ILO, UNICEF, NGOs, trade unions and government to determine how best to accomplish this goal.

Some individual companies are responding to public pressure by placing child labor-free labels on their balls. The Department of Labor has identified eight companies that are using such labels. Reebok and Baden are both changing their production processes and implementing monitoring systems to support the use of the label. Reebok has hired independent human rights monitors to verify that no children stitch Reebok balls. Dunkin' Donuts sold promotional soccer balls during the 1997 summer months bearing a child labor-free label. Dunkin's Donuts asked a U.S.-based NGO to monitor the production of these balls and certify that they were not made by children. The other companies are making their no child labor claims based upon their participation in the Partners' Agreement. It is premature, however, to make such a claim because the monitoring components of the Partners' Agreement have not yet been fully implemented.

¹⁴⁰ See ILO-IPEC Project Document: Elimination of Child Labor in the Soccer Ball Industry in Sialkot, Pakistan (July 30, 1997) 3-4 [on file].

Other companies are changing their production processes to prevent the use of child labor. For instance, Reebok has centralized all soccer production in one factory. Nike has created stitching centers in order to better monitor where production takes place. Baden has changed from Pakistani to Chinese suppliers and mechanized the stitching process.

Although some individual companies have developed labels for their soccer balls, the majority of the soccer ball industry has opted instead to implement a variety of different codes of conduct to prohibit and prevent child labor. All companies responding to a Department of Labor survey on codes of conduct and labeling programs indicated that they have some type of corporate policy prohibiting child labor. Not all these policies are in writing, and very few are enforced through a rigorous monitoring system.

V. Tea

A. Introduction

Previous chapters have discussed the link between heightened U.S. consumer awareness of child labor in import industries and the growth of private labeling systems within the hand-knotted carpet, leather footwear, and soccer ball industries. Tea has not been among the industries to draw attention from U.S. anti-child labor activists or consumer campaigns. Nonetheless, there has been increased international scrutiny of tea production methods, particularly since 1994, when consumer groups in Germany began raising concerns about child labor on the tea estates of India. Indian tea producers, concerned that the child labor issue could spread in Europe and disrupt the market for tea, decided to raise their standards concerning child labor above those mandated by Indian law.¹

The same year that activists in Germany focused their attention on child labor in tea, the first fair trade labeling program for this industry was launched by TRANSFAIR International, a German organization which was already operating fair trade labeling programs for other commodity products. Fair trade labeling, which originated in the Netherlands in 1988, promotes improvements in trading conditions, including higher prices paid to the actual producers of agricultural goods in developing countries.

TRANSFAIR and other fair trade labeling organizations do not trade themselves. Rather they create a structure through which goods produced under certain standards can be imported and marketed to consumers in industrialized countries. These production standards are conveyed to consumers through the use of a fair trade logo. The logos are registered trademarks within each consuming country.

Fair trade labeling in tea is different from the other labeling programs discussed in previous chapters inasmuch as child labor was not the motivating force behind the program. Prior to their movement into the tea industry, fair trade labels had been designed principally to support smallholder producers of crops such as coffee. International standards and domestic laws on child labor generally treat smallholder producers different from plantations, since children in the former settings often work for their own families. However, tea is principally a plantation crop, where international law sets a clear minimum age standard. Thus, to address increasing concerns about tea production, TRANSFAIR International incorporated into its tea criteria a provision prohibiting the employment of children under the age of 14.

This chapter will examine the structure and operation of fair trade labeling in tea, with a particular focus on the child labor aspects of the label. Section B briefly describes the structure of the international tea industry and the U.S. tea market, and Section C discusses the incidence and extent of child labor in the tea industry. Section D contains an analysis of the structure and implementation of the fair trade

¹ Kunal Bose, "German Anger Over Indian Child Labour — The Protest Over Use of Young People in the Tea Industry," *Financial Times*, April 19, 1994.

labeling programs for tea. It also provides supplementary information gathered in site visits to three countries — India, Tanzania, and Nepal — that currently produce labeled tea. Finally, Section E reports responses of five U.S.-based tea importers, packers, and retailers to the child labor issue, based on a recent voluntary survey.

B. Industry Profile

The tea products at issue in this report are those derived from the *Camellia Sinensis* plant.² Although the term tea is often used in reference to other beverages derived from various plants and flowers, production methods for these “herbal teas” are outside the scope of this study.

With the obvious exception of water, tea is the most widely consumed beverage in the world. Although tea is grown commercially in over 35 countries, world production is largely concentrated in a few countries. In 1995, India, China, Sri Lanka, Kenya, Indonesia, and Argentina accounted for over 75 percent of world production. More than half of 1995 world production came from India and China alone.³ Many countries, including India and China, export less than half of their production due to high domestic consumption; others, such as Kenya and Sri Lanka, export most of their tea.⁴ In 1995, the top tea-exporting countries (by volume) were Sri Lanka, Kenya, China, India, Indonesia, and Argentina.⁵

The structure of tea production varies from country to country. Production may be concentrated in private plantations, state-owned enterprises, smallholdings, or some combination thereof. Most frequently it is cultivated on large tea plantations (also called estates or gardens), which may be 200 to 400 hectares in size (1 hectare equals 2.47 acres) in major producing countries.⁶ For instance, in India, Bangladesh, and Malawi, the bulk of tea production takes place on large estates, many of which are owned wholly or in part by multinational beverage companies. Some of these multinationals have their own estates and trading, processing, and blending facilities. Other multinationals only operate estates and trading operations, or simply operate their own estates.⁷ In Kenya, where tea cultivation has been promoted to encourage small farmers to participate in the cash economy, there is now an important smallholder sector (with holdings of less than 50 acres) alongside the estate sector.⁸

² Sage Group, *U.S. Tea is “Hot” Report* (Seattle, 1996) 12 [hereinafter *Tea is Hot*].

³ *Id.* at 20-22.

⁴ *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of the Tea Association of the U.S.A., Inc.) [hereinafter *Tea Association statement*]; *see also* *Tea is Hot* at 22.

⁵ *Tea is Hot* at 21.

⁶ *Industry and Trade Summary: Coffee and Tea*, USITC Publication 2762, U.S. International Trade Commission (April, 1994) 4 [hereinafter *ITC*].

⁷ Frederick Clairmonte and John Cavanagh, *Merchants of Drink* (Penang, Malaysia: Third World Network, 1988) 36-38.

⁸ Roger Verschoor, *To Pluck and Be Plucked: Investigation into fair trade in tea* (Amsterdam: Fair Trade Organisation, 1996) 6 [hereinafter *To Pluck*].

World tea production has expanded considerably in recent decades. The record 1995 world crop of 2.6 million tons was 156 percent greater than that registered in 1963.⁹ During this period, many countries have increased their tea acreage at the same time productivity has been climbing due to new varieties, innovative planting, production and pest/disease control techniques, and modern processing methods. During the same period, prices for tea on the world market have steadily declined. Prices remain low due to increasing supply and weak or at best stable world demand, in part due to a large reduction in Russia's imports of Indian tea.¹⁰

While consumption of tea has traditionally taken a back seat to coffee and soft drinks in the United States, tea sales have grown in the 1990s.¹¹ Total U.S. annual tea sales at the wholesale level increased by 133 percent between 1990 and 1995.¹² Growth was strongest in ready-to-drink bottled teas, large sized tea bags for food service vendors, flavored and unflavored specialty blends, and premium varietal estate teas.¹³ It is estimated that tea products can now be found in almost 80 percent of all U.S. households.¹⁴ The U.S. tea market is unique in that 80 percent of tea consumption consists of iced tea.¹⁵ The bulk of iced tea is brewed from tea bags, which account for the largest share of tea sales at the retail level. In 1994, tea bags accounted for over 65 percent of total sales, ready-to-drink tea 19 percent, and instant tea 11 percent. Iced tea mix and loose tea accounted for the remaining 5 percent of the market.¹⁶

Only a very small amount of tea is grown commercially in the United States, on a plantation in South Carolina.¹⁷ Therefore, the U.S. tea industry consists primarily of the importation, processing, marketing, and distribution of teas grown elsewhere.¹⁸

The United States is among the world's major importers of tea.¹⁹ The U.S. industry is highly concentrated. A few large companies account for as much as 80 percent of the market, while a multitude of smaller players compete for the remaining market share.²⁰

⁹ Paola Fortucci, "Developments and Challenges in the World Tea Economy," *Tea and Coffee Trade Journal*, vol. 168, no. 9 (September 1996) 20 [hereinafter Fortucci].

¹⁰ Tea is Hot at 20.

¹¹ Joseph P. Simrany, "The Market for Specialty Tea in the United States," (Tea Association of the USA, Inc., 1995) 1 [hereinafter Simrany].

¹² Despite this increase in sales, tea imports decreased significantly in 1995 as inventories were drawn down from the previous year. In 1994, imports rose by over 9 percent from the previous year due to exaggerated forecasts of heavy increases in demand for ready-to-drink products. See also Fortucci at 22. Figure V-1 shows United States tea imports from 1989 through 1996.

¹³ Tea is Hot at 19; Simrany at 2.

¹⁴ Tea Association of the U. S. A., Inc., *Tea Fact Sheet*, undated [on file].

¹⁵ Id.

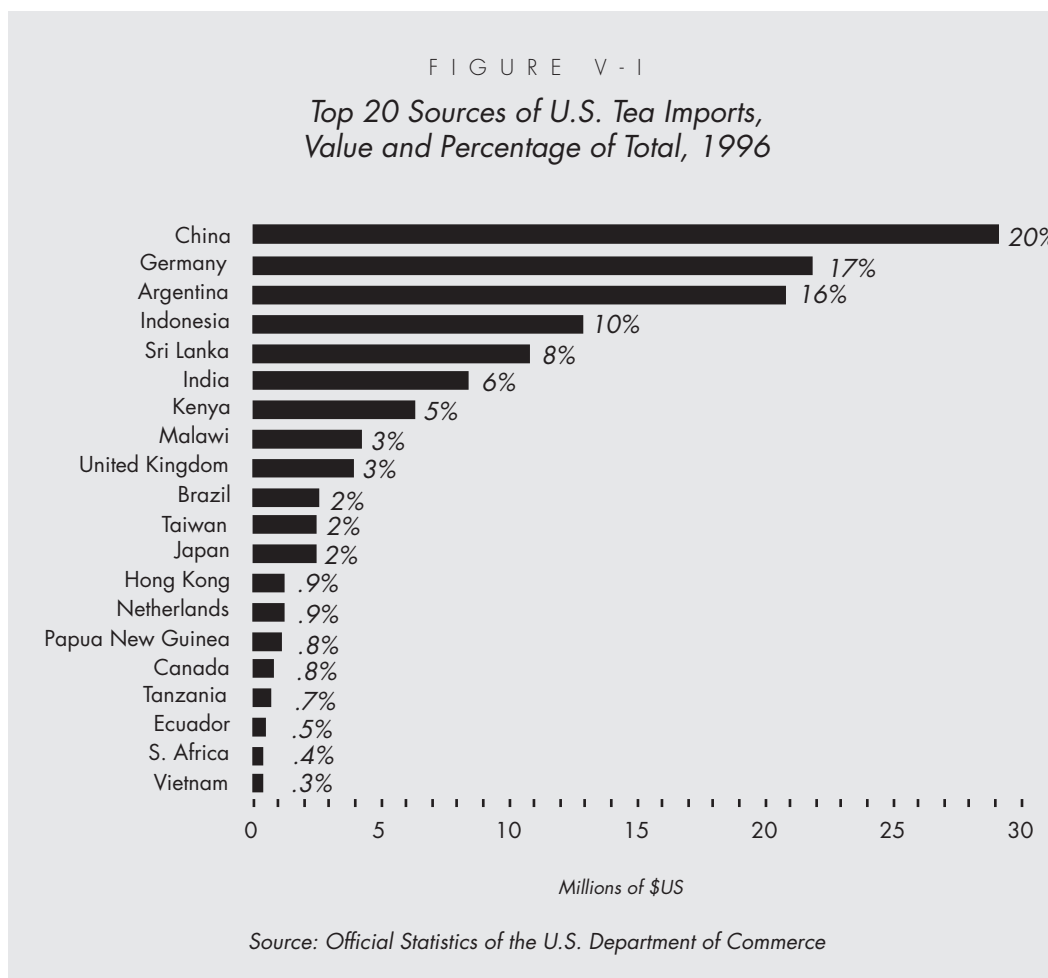
¹⁶ Greg W. Prince, "New Field of Dreams," *Beverage World*, vol. 114, no. 1587 (March 1995) 68.

¹⁷ ITC at 1. See also Sarah Fleming McLester, "Tea Grown in the U.S.," *Tea and Coffee Trade Journal*, vol. 169, no. 6 (June 1997) 72.

¹⁸ ITC at 16.

¹⁹ Id. at 1. In 1994, the U.S. was the world's fourth largest importer of tea, after the United Kingdom, Pakistan, and Japan. See United Nations Trade Series D.

²⁰ ITC at 20.



U.S. tea imports in 1996 were valued at \$132.1 million.²¹ Figure V-1 shows the top 20 suppliers of tea to the U.S. market in 1996. The top five (by value) are China, Germany, Argentina, Indonesia, and Sri Lanka.²² This supply pattern has not changed substantially since 1989. While the United States imports tea from over 60 countries, the top few countries provide the bulk of imports. China, Germany, and Argentina alone accounted for 53 percent of total imports (by value) in 1996.²³ Since Germany grows none of the tea that it processes and blends for the U.S. market, tea imported from Germany originates elsewhere. However, since Germany is one of the world's leading transit and processing centers for tea, the origins of certain products reexported from Germany may be difficult to track. Table V-1 shows imports from the top 20 suppliers of U.S. tea imports in 1996 for the years 1989 through 1996.

An international network of businesses and business partnerships moves tea from growers and processors in countries of production through international commerce to final processing, packing, and retail distribution in consuming countries.

²¹ *Imports for Consumption* (Washington, DC: U.S. Department of Commerce, 1997).

²² *Id.*

²³ *Id.*

TABLE V - I

*U.S. Tea Imports, 1989 - 1996, Top 20 Suppliers in 1996
(in millions of U.S. dollars)*

	1989	1990	1991	1992	1993	1994	1995	1996
China	20.3	21.7	23.0	25.2	24.7	26.8	20.9	25.9
Germany	21.4	21.2	21.2	20.8	18.4	20.4	24.4	21.9
Argentina	12.6	14.8	16.7	21.8	22.3	25.2	21.3	20.9
Indonesia	16.0	14.5	14.8	17.3	15.5	16.0	10.4	12.9
Sri Lanka	11.1	8.1	7.3	7.3	7.6	8.5	10.0	10.8
India	7.5	8.1	7.4	6.1	6.3	7.3	7.0	8.4
Kenya	10.4	7.5	7.1	7.2	6.7	5.9	4.2	6.3
Malawi	2.5	2.1	2.5	3.3	4.3	4.1	2.7	4.2
United Kingdom	2.1	2.7	4.1	4.6	2.6	2.8	3.2	3.9
Brazil	5.7	5.2	4.2	4.3	3.5	4.2	3.0	2.5
Taiwan	3.4	6.0	2.2	2.2	1.8	2.2	2.3	2.4
Japan	1.3	1.0	1.5	1.4	1.6	2.2	2.3	2.4
Hong Kong	1.4	1.6	1.6	1.3	.8	1.0	.8	1.2
Netherlands	3.7	4.2	3.1	1.7	2.4	1.8	2.5	1.2
Papua New Guinea	.6	1.1	1.3	1.0	1.3	1.1	.7	1.1
Canada	1.5	.8	1.0	1.6	1.3	1.2	1.1	1.1
Tanzania	.1	.2	.5	.2	.3	.5	1.3	.9
Ecuador	.5	.3	.5	.6	.7	.9	.5	.6
South Africa	.2	.1	.1	.2	.2	.8	.3	.5
Vietnam	0	0	0	0	0	.9	.6	.4
<i>Total Imports</i>	<i>127.1</i>	<i>126.0</i>	<i>123.3</i>	<i>130.8</i>	<i>124.4</i>	<i>136.1</i>	<i>121.7</i>	<i>132.1</i>

Source: Official Statistics of the U.S. Department of Commerce

Some tea is purchased directly from estates by large importers and packers, but most is sold through auction houses in producing countries and major transit hubs such as London and Hamburg.²⁴ Most tea sold on a retail basis is a blend of teas from around the world.²⁵

Figure V-2 illustrates the many routes through which these transactions occur. The principal actors/entities in tea production are listed below:

- **Tea cultivators and pluckers**, employees of tea growers, cultivate tea bushes and pluck tea leaves.
- **Tea growers** own the enterprises that cultivate and harvest tea. They include large publicly or privately owned estates, individual smallholder producers, or smallholder cooperatives. Most large growers have on-site facilities to ferment, dry, and roll or crush tea, the first level of processing. However, smallholders typically sell their harvested leaves to nearby estates, middlemen, or specialized processors.
- **Agents or brokers** are intermediaries who purchase tea from estates or at auction for resale to tea wholesalers, packers, or importers in consuming countries. They may also arrange for shipping and financing tea before the buyer takes possession. **Tea importers** purchase tea to customers' specifications and arrange for shipping and delivery by specific dates. Their purchases may be directly from growers, from agents or brokers, or at tea auctions. Today, there is little distinction between brokers, agents and importers in the tea industry.
- **Auction houses** are the forum in which various actors meet to transact international tea sales.
- **Tea packers** may import tea leaves directly or purchase imported leaves which they blend, convert into tea products, and/or package for sale. Some process and pack only their own branded teas; others also prepare private label teas for supermarkets and retail outlets. It is estimated that as much as 70 percent by weight of tea entering the United States may be imported directly by large processors.²⁶ Some of the larger packers/processors own the estates from which they import directly.²⁷ Others do not own estates, but maintain representatives in producing countries to purchase tea.
- **Distributors/wholesalers** sell the final product to retail outlets. Some processors and packers also handle this function. Distributors may also sell tea directly to the general public via mail-order.

²⁴ ITC at 17.

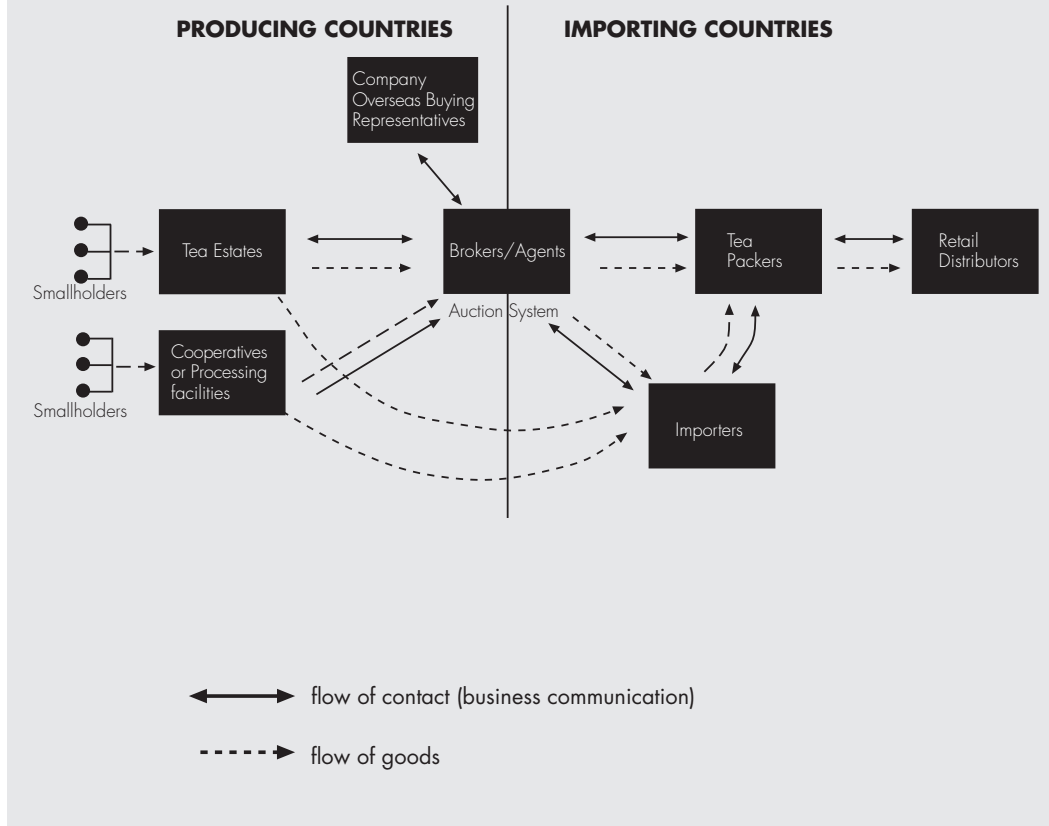
²⁵ Id.

²⁶ Id.

²⁷ These large companies also source tea through outside importers and brokers to ensure sufficient inventory.

FIGURE V - 2

Tea Chain of Production and Distribution



- **Retailers** sell the final tea product to the consumer. The principal retail outlets for tea in the United States are supermarkets, the food service industry, specialty shops, and general retail stores.²⁸

C. Child Labor in the Tea Industry

There are both agricultural and industrial activities associated with tea production. Planting, cultivating, and plucking tea are labor-intensive operations. Withering, rolling, fermenting, drying and bagging, which often take place in modern facilities, require considerably more automation and proportionately less labor. Hence the bulk of employment in the tea industry, and the site of potential child labor problems, is in the fields.

Fieldwork is generally done by hand.²⁹ During the off season, tea bushes are pruned to induce growth and keep them at a workable height, usually about 3 feet.³⁰

²⁸ Tea is Hot at 9.

²⁹ Harvesting may also be mechanized, however, as is the case in Argentina and often in Brazil. See ITC at 4.

³⁰ ITC at 4.

Other maintenance jobs include weeding, spraying, hoeing, drainage, nursery work, and fertilizing.³¹ Some of these tasks require working around the base of bushes on hands and knees.

The tea leaves harvested during peak season are new shoots that emerge after pruning. These tea leaves are plucked and dropped in a basket or bag that is usually carried on the plucker's back. When the container is filled, the leaves are taken to a collection point, weighed, and transported to the processing facility. The tea must be processed quickly to take full advantage of flavors contained in the tea leaf.³² Depending on the type of processing, tea becomes one of three major types — black, green, or oolong. The dry leaves are then graded and sorted according to leaf type and size.³³ Finally, the leaves are prepared for shipping or auction.

The seasonality of tea production affects the job security and benefits of those working in the field. The typical plucking season is six to nine months, although in some regions it lasts the entire year. At the end of the harvest, temporary field workers are dismissed until the harvest begins again. A small component of the peak season workforce is sufficient to handle pruning and other winter chores. These year-round workers are usually classified as permanent employees. During the lengthy peak season, temporary workers are either recruited from within the households of permanent employees or hired from outside the estate.

The most labor-intensive function, plucking, is a delicate operation that is often viewed as women's work.³⁴ Given few child care alternatives, women who pluck tea often bring their young children with them into the fields. Young children may begin by helping their mothers for recreation, but in countries where schooling is not compulsory, it is a short step to carrying their own baskets for pay. Most allegations of child labor in the tea industry involve the functions of plucking, weeding, hoeing, and nursery work. Some argue that children make good pluckers because of their "nimble fingers;" others argue that plucking is too arduous a task for children to perform. Child labor may also be preferred for functions that require moving about between bushes on hands and knees.

There is typically a daily wage for tea plucking, based on a minimum quota of leaves. If a worker exceeds this quota, additional wages are paid proportionate to the excess plucked. In some countries, pay differs by gender and/or by age of the plucker.

It is impossible to accurately quantify the number of children employed in the tea industry worldwide. Because child labor is illegal, it goes uncounted in most official statistics. The existing surveys of child labor in the tea industry usually cover larger-scale operations without looking at child labor on smallholder estates. In

³¹ To Pluck at 3.

³² ITC at 4.

³³ Tea Association of the U.S.A., Inc., *Tea Has Many Grades* (1995)[on file].

³⁴ To Pluck at 3-4. In India, for example, women constitute more than half the labor force on tea plantations. See Sharit K. Bhowmik, Virginius Xaxa, and M. A. Kalam, *Tea Plantation Labour in India* (New Delhi: Friedrich Ebert Stiftung, 1996) 8 [hereinafter Bhowmik].

many countries, however, smallholder estates are the subject of recent allegations of child labor. Some smallholdings may be purely family based, and thereby exempted from international standards on child labor. However, these international standards prohibit smallholders employing wage laborers from using child labor. It is very difficult to determine how much of the smallholder production takes place on family farms not employing wage laborers, and how much occurs in the context of hired labor. Minimum age requirements are sometimes difficult to enforce in countries that lack vital statistics registration and/or compulsory education systems.

Tea plucking can be hazardous work. Workers, including children, who cultivate and pluck tea are exposed to toxic pesticides and insecticides, insects, and snakes. Often, they are not given protective clothing and shoes. The work is physically demanding and often requires long hours.³⁵

In June 1997, U. S. Department of Labor officials visited tea estates in Brazil, India, Kenya, Nepal, and Tanzania.³⁶ The following country-specific information was collected during those visits and from the most recent available reports.

India

In the Indian tea industry, permanent workers and their families typically reside on the plantations, and relatives of permanent employees often hold temporary jobs.³⁷ In the past, children have been a widely recognized part of the workforce in India's tea industry. A 1995 report on child labor on tea plantations in northeast India described the employment of children:

Most of the child workers are employed as casuals. Children are found to do such strenuous work as plucking under very severe climatic conditions; they are assigned to nursery work, fertilization, carrying of heavy loads and household work. They are also made to work in the factories, against established law.³⁸

The Plantation Labour Act of 1951 prohibited the employment of children under the age of 12 on any plantation, but permitted and regulated the employment of children of age 12 through 14 as well as adolescents, defined as those between the ages of 15 and 17.³⁹ The 1951 Act requires both children and adolescents wishing to work to obtain a "certificate of fitness" from a certified surgeon. In addition, they may not work more than 27 hours a week, or at night. The Child Labour Prohibition

³⁵ Hossea Rwegoshora, *Hazardous Child Labour in Tanzania: A Case Study of Selected Worksites in the Agricultural, Mining, and Informal Sectors* (Dar Es Salaam: National Social Welfare Training Institute, 1995) [prepared for Ministry of Labour and Youth Development] 2-3, 4, 11, and 14 [hereinafter Rwegoshora]. See also Iolanda Huzak and Jo Azevedo, *Crianças de Fibra* (Brasília: International Labor Organization, 1994) 37, 45 [hereinafter *Crianças de Fibra*].

³⁶ U.S. Department of Labor officials did not visit any tea plantations while on their visit to China. However, the DOL officials toured a tea bag producing facility and met with officials of two different provincial tea import and export marketing corporations.

³⁷ Bhowmik at 8-10.

³⁸ *Seminar on Elimination of Child Labour in the Tea Plantations in North East India* (Assam: Institute for Plantation, Agricultural, and Rural Workers, 1995) 7.

³⁹ Vasanthi Raman, *Child Labour in the Tea Plantations of North East India* (UNICEF and Government of India, Ministry of Labour and Social Welfare, 1992) 10 [hereinafter Raman].

and Regulation Act of 1986 amended certain portions of the Plantation Labour Act of 1951 by raising minimum age for employment from 12 to 14 years of age.⁴⁰

Tea is grown principally in three areas in India: West Bengal and Assam in the northeast, and Nilgiris in the south. In 1990, the Government of Assam estimated that there were 96,535 children employed on tea gardens in Assam, making up over 14 percent of the total workforce. Of these child workers, nearly 70 percent were employed on a temporary or casual basis; the rest were estimated to be permanent workers.⁴¹ In West Bengal, child workers numbered between 13,000 and 15,500 (5 to 6 percent of the workforce) in 1988, according to statistics published by the Tea Board of India and the Government of West Bengal respectively. The total number of children working may not have been represented in these figures, however, since they do not include temporary workers.⁴²

International concern about child labor and local concern about potential repercussions prompted the Indian tea industry to issue its own recommendations regarding child labor. In July 1994, the Consultative Committee of Plantation Associations wrote a letter to all member associations urging them to not employ any child under the age of 15.⁴³ The following month, the Indian Tea Association advised its members, representing 63 percent of plantation production, to ensure that no one under 15 is employed in the fields or processing factories of tea estates. It further stated that "it is expected that those already in employment will be automatically phased out within two to three years."⁴⁴

While there are no recent data on the incidence of child labor on Indian tea estates, interviews with representatives from industry, government, and labor unions indicate that the employment of children has been reduced on commercial estates producing tea for the export market. There are, however, some situations where children may still be employed. Some young dependents of estate residents may be employed as temporary workers during harvest season.⁴⁵ In Darjeeling, there are a few instances where child dependents are allowed to work when a parent can no longer support the family due to death or illness. This type of situation is the result of an unwritten contract of permanent employment between employers and workers' families. Several sources indicate that children may still be working on small estates in the informal sector, particularly in the poorest regions where schools are

⁴⁰ Raman at 11. See Child Labour Prohibition and Regulation Act of 1986, Part IV, Clause 24.

⁴¹ Raman, Tables 1 and 2. According to this source, 66,691 children were employed on a temporary or casual basis and 29,846 were permanent workers. Assam is the largest tea producing state in India. Some of these workers may actually have been adolescents classified as children by estate owners so that they could pay them lower wages. See Virginius Xaxa, "Conditions of Tea Estate Labourers in Assam," in *Tea Plantation Labour in India* (New Delhi: Friedrich Ebert Stiftung, 1996) 20-21.

⁴² Raman, Tables 4 and 5.

⁴³ Letter from the Secretary General of the Consultative Committee of Plantation Associations to the Chairman of the Tea Board of India, July 25, 1994 [on file]. The Consultative Committee of Plantation Association, among other functions, promotes agricultural exports and negotiates wages on behalf of employers.

⁴⁴ *Employment of Child Labour*; Indian Tea Association Circular no. 86 (August 9, 1994). See also Darjeeling Planters Association Circular no. 37 on Employment of Child Labour (September 4, 1995).

⁴⁵ Interview with Mr. D. Chakrabarti of the Indian Tea Association by U.S. Department of Labor official (June 4, 1997).

either nonexistent or seriously inadequate, such as in parts of Assam and the Terai and Dooars regions of West Bengal. Whether these children are working on family farms, or as part of a family unit or wage laborers on someone else's land, is unclear.

Nepal

The Nepalese tea industry, which produces largely for domestic consumption but does export some tea, consists of both government-owned and privately managed estates. Most of these estates are located in Illam and Jhapa in eastern Nepal.⁴⁶ The traditional labor categories on tea estates include children (*lokadas*) and adolescents (*chbhokadas*).⁴⁷ A 1991 study on child labor in tea estates estimated that out of 3,995 permanent laborers, 451 (or 11 percent) were between the ages of 7 and 18.⁴⁸

An ILO-sponsored 1996 survey of 35 tea estates, conducted by the General Federation of Nepalese Trade Unions (GEFONT), has led officials of the International Labor Organization to believe that the incidence of child labor in tea estates has declined since the enactment of the Labour Act of 1992.⁴⁹ Out of a sample population of 2,828 children, GEFONT found only 23 children between the ages of 5 and 14 employed as permanent workers. However, only 56 percent of the 2,828 children surveyed were found to be enrolled in school; the rest were either involved in household and other income earning activities or were "idlers." A considerable number of children were still reported to work during peak plucking season on a piece-rate basis. GEFONT also found that working parents occasionally used idle children as substitutes in the fields. Finally, GEFONT reported that Indian children have been found working in estates in Jhapa, along the Indian border.⁵⁰

U.S. Department of Labor interviews in June 1997 with representatives of unions, government, NGOs and industry confirm that estate management is now sensitive to outside concerns about child labor. While various groups dispute the extent to which child labor persists on the estates, most agree that the practice continues and that it is both seasonal and difficult to detect.

Brazil

Registro, located in the Vale do Ribeira in Sao Paulo state, is the source of most tea exported to the United States from Brazil. While most tea is processed, packaged, and exported by a small number of large firms, the majority of tea in Brazil is grown on small plantations. The export-oriented Brazilian tea industry has

⁴⁶ *Child Labour in Nepal, Volume II: An Overview and Proposed Plan of Action* (Kathmandu: International Labor Organization, 1995) 8.

⁴⁷ *Child Labour in the Tea Estates of Nepal* (Kathmandu: Child Workers in Nepal Concerned Center, 1991) 2.

⁴⁸ Id. at 4. These figures are based on surveys of estate management and do not include temporary workers.

⁴⁹ *Designing a National Framework of Action Against Child Labour in Nepal* (Geneva: International Labor Organization, 1996) 3. The Labor Act of 1992 prohibits employment of minors under 14 in enterprises, including commercial tea estates, and regulates the work hours of "minors" between the ages of 14 and 18. The Children's Act of 1992 prohibits the employment of children under 14 in any type of work.

⁵⁰ "Seminar on the Study on Child Labour in Tea Estates of Nepal Concludes," *GEFONT's News*, no. 19 (January 1997) 2-3.

been in crisis since the early 1990s due to low-cost competition from Asian producers. Tea production has decreased and become more highly mechanized, even on small estates, reducing labor demand and increasing adult unemployment.

Here, as elsewhere, the line between family and commercial production is often blurred. In 1994, in rural areas of Registro, children were reportedly working alongside their parents on pieces of land parceled out to their families by tea estate management.⁵¹ Department of Labor interviews with government officials, industry and union representatives, and NGOs, as well as visits to tea estates, indicate that although child labor was a serious problem on some large tea plantations in the past, particularly during harvest season, its incidence has been virtually eliminated.⁵² Union activism, media attention, depressed tea production, and higher adult unemployment have helped stop the use of child labor by large-scale employers in the industry.

Various sources indicated children still work on smallholder and family-farmed plots that supply green tea leaves to nearby estates under outsourcing arrangements. Several union representatives and tea workers said children work on smallholder and family farms during harvest season in tasks such as spreading fertilizer and pruning.⁵³ A local Secretariat of Agriculture official said that due to deteriorating economic conditions, small farmers can no longer afford to hire employees and have their children help out with production.⁵⁴ Some children combine this work with school, but in many cases they do not.⁵⁵

Kenya

The Kenyan tea industry is made up of two distinct sectors: plantations and smallholders. Smallholders, who do not have the capacity to process their own tea, account for about half of the total tea produced in Kenya.⁵⁶ The Kenyan Employment Act of 1976 prohibits the employment of children under the age of 16 in industrial undertakings but does not apply to the agricultural sector.

Officials from the Kenyan Ministry of Labour and Manpower Development and ILO/IPEC Nairobi reported that while child labor is pervasive in the smallholder sector, it is not prevalent on large plantations.⁵⁷ As elsewhere in the industry, smallholder estates hire large numbers of casual workers, particularly during harvest sea-

⁵¹ *Crianças de Fibra* at 34.

⁵² Interview with Josefa Vilha dos Santos, Sao Paulo State Bureau of Employment and Labor Relations and Lucilia Villanova Tremura, Federal Ministry of Labor, by U.S. Department of Labor official (June 11, 1997).

⁵³ Interviews with José Villar, Association Agrovale; Valter Kotona, Union of Rural Producers; Ulisses Nobrega, Union of Bank Workers; and six other local union members and tea workers, by U.S. Department of Labor official (June 20, 1997).

⁵⁴ Interview with Luis Gustavo Ferreira, Secretariat of Agriculture for the State of Sao Paulo, by U.S. Department of Labor official (June 19, 1997).

⁵⁵ Interviews with José Villar, Association Agrovale; Valter Kotona, Union of Rural Producers; Ulisses Nobrega, Union of Bank Workers; and six other local union members and tea workers, by U.S. Department of Labor official (June 20, 1997).

⁵⁶ Interview with officials of Kenyan Tea Development Authority, by U.S. Department of Labor official (June 30, 1997). Many Kenyan smallholders produce tea on plots as small as 0.3 hectare (.74 acre).

son. These casual workers often bring their children into the fields to pluck tea leaves with them. The smallholders either sell the plucked tea leaves to the large estates for processing or take them to one of the many factories maintained for smallholders by the Kenyan Tea Development Authority (KTDA). The KTDA maintains 45 factories exclusively for smallholders throughout Kenya.⁵⁸

Tanzania

The majority of tea production in Tanzania is plantation-based. The large estates are mostly union organized, and are not thought to hire many children. In Tanzania's smallholder sector, however, child labor is reported to be pervasive — primarily in the plucking of tea leaves.⁵⁹

There are indications, however, that some children between the ages of 9 and 14 may work on larger estates. In a 1995 study, some children who were not attending school were found to be working on tea estates. These children registered on a daily basis with the estate office but did not appear on the employer's payroll.⁶⁰ In addition, during weekends or school holidays, children sometimes accompany their parents or relatives to the fields where they help pluck tea.⁶¹ There have also been reports of schools requiring students to pluck tea as part of the school day, with local authorities keeping the money earned or using it to purchase books and other supplies.⁶² One study reports that primary school age children were being recruited for work on tea plantations in Iringa and Mbeya.⁶³

The Tanzanian Employment Ordinance No. 47 of 1955 sets the basic minimum age for employment at 12 years of age and requires that 12 to 14 year old child workers receive a daily wage, work on a day-to-day basis, are provided transportation home each evening, and obtain permission to work from their parents.

⁵⁷ Interviews with P.J. Kiayua, Deputy Secretary, Ministry of Labour and Manpower Development; H.A. Onyoo, Director of Occupational Safety and Health Administration; H.F. Nyambu Mwadime, Labour Commissioner; Janet Mucheru, Program Manager, Child Labour Unit; and Mary Mbeo, National Project Coordinator, ILO/IPEC, by U.S. Department of Labor official (June 19, 1997).

⁵⁸ Interview with Kenyan Tea Development Authority, by U.S. Department of Labor official (June 30, 1997).

⁵⁹ American Embassy-Dar Es Salaam, unclassified telegram no. 3321, May 27, 1997. Interviews in Dar Es Salaam with Anastasia Mmuni, Agricultural Administration and Personnel; David S. Mboggo, Principal Labour Officer; Phillipina K. Mosha, Project Coordinator for the Tanzania Plantation and Agricultural Workers Union; and P.B. Kiiza, Tanzania Tea Authority, by U.S. Department of Labor official (June 22, 1997).

⁶⁰ Rwegoshora at 9 and 11. These findings were based on interviews with working children on 4 tea estates in the Rugwe and Mufindi districts of Tanzania.

⁶¹ *Id.* at 9.

⁶² Interviews with P.B. Kiiza, Tanzania Tea Authority and William Mallya and staff, Tanzania Program Coordinator, International Labor Organization, by U.S. Department of Labor official (June 22, 1997). *See also* Rwegoshora at 8-9.

⁶³ *The Situation of Child Labour in Tanzania: A Case Study of Some Selected Agricultural and Plantations Sector and TFTU's Position* (Dar Es Salaam: Tanzania Federation of Trade Unions, 1995)1.

Other

The use of child labor in tea production has been reported in Sri Lanka, Indonesia, Malawi, Uganda, and Zimbabwe. More research is required to determine the accuracy of these reports as well as the nature and extent of any child labor that exists. In Sri Lanka, a 1995 survey of 3,000 households on 100 tea estates found that youths 10 to 19 years of age made up about four percent of the workforce. Children not attending school, some under the age of 10, were found weeding, a function estate management contracts out to families in one-acre units.⁶⁴ Labor organizations and NGOs allege children work alongside adults on tea plantations in Indonesia, particularly in West Java and North Sumatra.⁶⁵

There may be significant child labor on tea estates in Malawi⁶⁶ and Uganda.⁶⁷ Ugandan Ministry of Labor officials indicate that children perform about 10 percent of the labor in tea production and are used for picking tea, removing weeds, and spraying herbicides. Officials of the Ugandan Tea Association, however, report that child labor is negligible in the industry, occurring only in isolated cases on estates or in smallholder production.⁶⁸ In Zimbabwe, children are reported to work alongside their parents on tea plantations after school during planting and harvesting seasons, and full-time during school holidays.⁶⁹

D. Consumer Labeling Programs in the Tea Industry

1. Introduction

In the tea industry, child labor labeling appears to be limited to fair trade labeling programs. These programs originated in Europe and today are found in a number of tea consuming countries, including the United States. Fair trade labels inform consumers that products carrying one of the several existing labels were produced and traded under certain conditions. At present, fair trade labeling only involves agricultural goods, including tea, produced in developing countries. A prohibition on the use of child labor was not originally part of fair trade labeling initiatives. However, when tea was added to the list of labeled products, a provision on child labor was included in the tea producer criteria. This was because a large portion of tea production in many countries occurs on plantations, where international standards prohibit the employment of children under 14.

This section describes the structure and implementation of fair trade labeling in tea. It is based on materials from several of the fair trade labeling organizations, interviews with representatives of these organizations, and information obtained during

⁶⁴ *Labour Force Survey: A Study on Plantation Labour* (Colombo: Lanka Jathika Estate Worker's Union and Asian American Free Labour Institute, 1996) 26.

⁶⁵ American Embassy-Jakarta, unclassified telegram no. 3256, June 3, 1997.

⁶⁶ *Country Reports on Human Rights Practices for 1996* (Washington, DC: U.S. Department of State, February 1997) 74.

⁶⁷ *Id.* at 48.

⁶⁸ American Embassy-Kampala, unclassified telegram no. 3114, June 4, 1997.

⁶⁹ American Embassy-Harare, unclassified telegram no. 4604, June 4, 1997.

Department of Labor site visits to three countries where fair trade labeled tea is produced — India, Nepal, and Tanzania.

2. Fair Trade Labeling

a. Program Overview

The idea of “fair trade” originated in the 1960s, spurred by the 1964 United Nations Conference on Trade and Development call for “trade not aid” as a development path for third-world countries. In the late 1960s, hundreds of “third-world” shops opened across northern Europe advertising goods made by small-scale producer groups in developing countries.⁷⁰ These early fair trade initiatives, also called alternative trade, concentrated on handicraft products.

Today, the fair trade movement is made up of three principal branches:⁷¹

- Fair trade import organizations (also known as alternative trading organizations) import and sell products generally made by small producers and producer cooperatives in developing countries, and pay a price that enables producers and their families to make an adequate living.
- Third-world shops sell products purchased under the same model.
- Finally, fair trade labeling initiatives, the subject of this section, aim to enlarge the market for fairly traded products and give consumers an independent certification of fair trade standards.

The first fair trade labeling initiative was introduced in the Netherlands in 1988 by an organization called Max Havelaar.⁷² This initiative was a response to the breakdown of the International Coffee Agreement and the subsequent drop in world market prices for coffee.⁷³ Two other fair trade labels, TRANSFAIR and FairTrade Mark, were introduced shortly thereafter. Unlike the earlier fair trade initiatives, these labeling programs focused on agricultural commodity items.



⁷⁰ European Fair Trade Association, *Fair Trade Yearbook 1995* (Maastricht: 1995) 10-11 [hereinafter Fair Trade Yearbook 1995].

⁷¹ *Fair Trade in Europe: Facts and figures on the fair trade sector in 14 European countries* (Maastricht: European Fair Trade Association, 1995) 5 [hereinafter Fair Trade in Europe].

⁷² Fair Trade Yearbook 1995 at 12.

⁷³ See *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of Martin Kunz, TRANSFAIR International) 2 [hereinafter Statement of Martin Kunz].

Today, there are Max Havelaar labeling initiatives in the Netherlands, Belgium, Denmark, Switzerland, and France; TRANSFAIR initiatives in Germany, Austria, Luxemburg, Canada, Italy, Japan, and the United States; and FairTrade Mark initiatives in the United Kingdom and Ireland. In addition to tea, the products currently being sold under these labels include coffee, honey, chocolate products, cocoa, sugar, and bananas. Most fair trade labeling organizations are composed of coalitions of NGOs, including consumer, environmental, and religious groups, as well as trade union associations.⁷⁴

The principle behind these labeling initiatives is to reach a broader market by improving the quality of fairly traded goods and marketing them through mainstream retail channels.⁷⁵ The stated goal of fair trade labeling initiatives is broad: to help improve the living and working conditions of disadvantaged producers in developing countries.⁷⁶

The basic criteria used by fair trade labeling organizations are the following:⁷⁷

- the payment of a fair price, which covers production costs plus a fair trade premium that flows to the actual producers;
- participation by the actual producers in decisions regarding use of the fair trade premium;
- provisions for advance payment or credit so that producers do not go into debt before sales can be realized; and
- the promotion of longer term trading relationships so producers can plan for the future with some security.

The fair trade labeling organizations are independent, non-profit NGOs that do not trade themselves.⁷⁸ Rather, they aim to create the structure under which established importers, retailers, and marketers can sell goods meeting fair trade criteria through mainstream channels such as supermarkets. While the labels used in different countries differ, the various national labeling programs have cooperated over the years to develop joint product criteria, maintain lists of eligible producers (called producer registers), and establish methods for monitoring the goods' production, import, and marketing.

Importers and retailers pay a licensing fee for the use of a fair trade label and the services associated with it, such as promotion, marketing, and monitoring.⁷⁹ The labels are registered trademarks in the countries where they operate. Only one label

⁷⁴ Statement of Martin Kunz at 1.

⁷⁵ Fair Trade Yearbook 1995 at 12.

⁷⁶ Statement of Martin Kunz at 1.

⁷⁷ Statement of Martin Kunz at 3-4.

⁷⁸ Stichting Max Havelaar, "Fair Trade Marking: A market oriented approach to development cooperation," in package of materials provided by Max Havelaar to the U.S. Department of Labor on January 31, 1997 [on file].

⁷⁹ Fair Trade Yearbook 1995 at 11.

exists in each country in order to make it easier for consumers to recognize fair trade products. In April 1997, the various national initiatives established FairTrade Labeling Organizations International (FLO), to serve as an umbrella organization for all existing national initiatives.

Tea was added to the list of labeled products in 1994 by TRANSFAIR International.⁸⁰ Because of public concern about child labor, TRANSFAIR incorporated a provision in the tea criteria prohibiting participating tea plantations from employing children under 14 years of age in the tea plantations of any producer.⁸¹ The tea criteria also include provisions on working conditions, minimum wage, and provision of housing, clean water, health facilities, access to primary education, and protective clothing for pesticide use.

In 1996, tea carrying a fair trade label could be purchased at retail outlets (including supermarkets, specialty, and third-world shops) in Austria, Denmark, Germany, Japan, Luxembourg, Switzerland, and the United Kingdom.⁸² TRANSFAIR USA was established in 1997 and plans to launch labeled products in the United States, including tea, by the end of the same year.⁸³ Labeled tea can currently be sourced from producers (mainly plantations and a few smallholder associations) in India, Nepal, Sri Lanka, Vietnam, Tanzania, and Zimbabwe.

Licensees place fair trade labels directly on tea boxes and, in some cases, individual tea bags and/or tags.⁸⁴ The labels consist of a logo but contain no specific written claims regarding child labor. However, licensees are required to include certain basic information on the labeling program and its producers. TRANSFAIR initiatives, for example, require all licensees to include the following minimum text on tea packages carrying the label:

*This high-quality tea has been awarded the TRANSFAIR seal for "Fair Trade" by TRANSFAIR. The aim of "Fair Trade" is to promote producers in the "Third World" who are at a disadvantage under present trading conditions and to help them achieve independence and equality. The additional price paid for the tea is used directly for the improvement of...the living conditions of tea pickers and plantation workers [for tea plantations]...the improvement of the smallholder' living conditions [for smallholder' cooperatives].*⁸⁵

⁸⁰ Martin Kunz, "TRANSFAIR International: The Best Deal for Both Worlds," *Tea International*, vol. 4, issue 1, number 14 (January/February 1996) 37 [hereinafter Kunz]. See also Statement of Martin Kunz.

⁸¹ See TRANSFAIR International *Tea Criteria of the International Tea Producer Register* (December, 1996) 3 [hereinafter Tea Criteria]. There is no child labor provision in the criteria for coffee, cocoa, or honey. This is because a high percentage of the cultivation of these products is done by small-scale producers as opposed to plantations, and the fair trade labeling organizations only source from these small producers.

⁸² "Tea Statistics 1995/1996" submitted by TRANSFAIR International to U.S. Department of Labor (mimeograph) [on file].

⁸³ *International Child Labor Hearing*, U.S. Department of Labor (April 18, 1997) (Written statement of Mark Ritchie, Chairman of the Board, TRANSFAIR USA). As of August 20, 1997, TRANSFAIR USA had hired a coordinator and identified a tea importer interested in becoming a licensee. Telephone interview with Mark Ritchie, Chairman of the Board, TRANSFAIR USA, by U.S. Department of Labor official (August 20, 1997).

⁸⁴ Statement of Martin Kunz at 5.

⁸⁵ Appendix 6 of Tea License Contract, provided by TRANSFAIR International to the U.S. Department of Labor [on file].

b. Program Structure

As a result of growing cooperation among existing national labeling programs, a centralized umbrella organization, Fair Trade Labeling Organizations International (FLO), was established in 1997. Through FLO, the various national organizations have begun discussions towards the eventual adoption of a single label. For now, however, the national initiatives continue using their own established labels in their respective markets and maintain independent authority over which labeled products they will offer in those markets.⁸⁶ They also promote and market the use of their label domestically, license the label to interested tea packers and importers, and monitor the flow of the labeled goods from importers to the licensees.⁸⁷ It is envisioned that once fully functional, FLO will enable further coordination among the national initiatives, providing a forum for decisions on new labeled products and producer criteria.

The national initiatives and FLO are non-profit organizations financed by licensing fees paid by users of the label and grants from governments or NGOs. Their aim is to eventually become completely self-sufficient, with all financing coming from licensing fees. These fees cover administrative, marketing, and monitoring costs associated with the label and vary according to volume of sales.

Licensees can purchase labeled tea from any producer on the international tea producer register. The tea register is a list of approved sources administered jointly by the national labeling initiatives through a tea register committee. The committee maintains the list of eligible producers, processes applications for new members, ensures that proper in-country monitoring occurs, and confirms that the quantity of tea imports recorded by participating importers corresponds to exports reported by producers.

Producers who wish to join the tea register must sign a producer agreement and complete a detailed questionnaire on estate conditions, including child labor. These questionnaires must be updated annually. Producers must agree to give free access to their estates to monitors and make available any records that might be required in order to verify information provided.

The tea criteria specify that licensees and producers must agree to a fair market price that at least covers the producers' cost of production. There is no formula for calculating the market price. Licensees must pay producers an additional fixed fair trade premium — currently one or two German mark(s) per kilogram of tea (\$0.50 or \$1.00 at current exchange rates) — depending on the quality and processing of the tea. Producers bear no costs associated with participation in the program.⁸⁸

⁸⁶ *TRANSFAIR Standard* (TRANSFAIR International, May, 1997) 1 [hereinafter *TRANSFAIR Standard*]. See also Statement of Martin Kunz at 1 and 2.

⁸⁷ TRANSFAIR International, "The Tea-Monitoring System of the International Tea Producer Register," undated [hereinafter *The Tea-Monitoring System*] [on file].

⁸⁸ Statement of Martin Kunz at 4.

The fair trade premium is intended to benefit workers directly. In order to ensure workers can participate in decisions relating to the use of the premium, producers are required to set up a joint body consisting of management and worker representatives.⁸⁹ Producers must also set up a special fund into which the premium can be paid, to be administered by the joint body.⁹⁰

c. Program Implementation

The tea register currently consists of 36 tea producers located in India (21), Nepal (1), Sri Lanka (8), Vietnam (1), Tanzania (3), and Zimbabwe (2). These producers are either long-time suppliers of fair trade licensees or have approached the labeling organizations on their own initiative.⁹¹

Tea producers on the register are monitored by consultants, who are independent, locally based individuals familiar with the region, proficient in the relevant local language(s), and able to accurately assess the social situation on the estates they must monitor.⁹² These consultants conduct monitoring visits of prospective producers prior to their acceptance onto the register. During these initial visits, the consultants check a producer's questionnaire response against actual conditions on the estate. If any criteria are not met at the time of the visit, conditional acceptance onto the register may be granted based on compliance within an agreed deadline.⁹³ Monitoring visits are repeated six months after acceptance onto the register, and annually thereafter, unless situations of conflict or compliance questions require more frequent visits. While the annual and six-month visits are generally announced, producers are also required to allow unannounced visits. Monitoring visits include verification of producer compliance with all elements of the tea criteria.⁹⁴

Producers can be removed from the register without notice if they violate any element of the tea criteria, including employment of children under 14. The tea register committee can also choose to present a producer with a work plan to remedy the violation rather than terminating their relationship.⁹⁵ The tea monitoring consultant for Tanzania and Zimbabwe told the U.S. Department of Labor that if she finds a producer is violating any of the tea criteria, she either corrects the situation on the ground or, in cases of serious infraction, informs the tea register committee in Germany. In some cases, fair trade premiums to a particular producer are stopped until the situation is corrected.⁹⁶

⁸⁹ See Tea Criteria.

⁹⁰ Producer Agreement supplied by TRANSFAIR International to the U.S. Department of Labor (January 1997) [on file]. An updated list of members of the Joint Body must be submitted annually.

⁹¹ Kunz at 35 and 37. Inclusion on the register as an approved source is not a guarantee of sales, which are driven by market demand. The author states that his organization has refrained from actively recruiting additional producers since it hopes to keep a balance between the number of suppliers and the opportunities for sales under a fair trade label: "Only if further consumer markets start to use Fair Trade labeling of tea will it make sense to expand the register much beyond its present size."

⁹² *Report on the Activities of TRANSFAIR International during 1995* (TRANSFAIR International, 1996) 6 [hereinafter Activities of TRANSFAIR]. Consultants are chosen by the staff persons responsible for the Tea Register.

⁹³ Kunz at 36.

⁹⁴ See Statement of Martin Kunz at 3-4; The Tea-Monitoring System.

⁹⁵ Producer Agreement supplied by TRANSFAIR International to the U.S. Department of Labor (January 1997) [on file].

⁹⁶ Interview with Simone Axman, tea monitoring consultant, by U.S. Department of Labor official (June 24, 1997).

Since the implementation of tea labeling in 1994, only two instances of child labor (persons under age 14) have been found on participating producers' estates.⁹⁷ Both were resolved without terminating the producer agreement. One such instance was in India, where a 13-year-old was found working on a tea plantation.⁹⁸ This child had been employed as a result of an unwritten contract whereby if a permanent employee dies or can no longer work, a remaining family member, even if he or she is a child, can take the job. The tea register committee and plantation managers agreed that management would send the child to school while continuing to pay his/her wages.⁹⁹ The other instance occurred in Tanzania, where on one plantation, teachers would occasionally send whole classes to pluck tea leaves, sometimes to augment a teacher's salary, other times to earn cash for purchasing books and other educational materials. The tea register committee made it clear to the plantation managers that it would not tolerate such a practice, and urged them to consider using fair trade premium funds to improve educational facilities.¹⁰⁰

In February 1996, the members of the tea register committee met for three days in India with tea monitoring consultants to discuss and evaluate their experiences during the first year of tea labeling. The Committee plans to conduct such evaluations on a regular basis.¹⁰¹

Reporting and verification systems are used to track the production, importation, and sale of the labeled tea and to ensure producers receive both the market price and the fair trade premium. Each month, importers must notify the tea register committee of their purchases from registered producers, including quantities purchased and payments made. Producers are asked to verify this information against their own records. Finally, licensees submit quarterly reports of sales by source and importer to national labeling initiatives, which in turn forward this information for further verification to the tea register committee.

The joint bodies may use fair trade premiums they receive for any purpose other than benefits or services estate owners are statutorily required to provide.¹⁰² Premiums have been used to help build a high school and rest stations for school children who must walk long distances to reach their classrooms. Premiums have also funded alternate training opportunities for estate residents, employment opportunities for unemployed youth, specialized medical treatment, pension funds for retired workers, and infrastructure projects such as bridges or roads. Although employees must have input into the use of premiums, TRANSFAIR International found that "most of the projects approved by joint bodies in the first year were suggested by managers."¹⁰³

⁹⁷ According to a TRANSFAIR International official, child labor is generally not a significant problem in the export-oriented, plantation-based portion of the tea industry. The same official stated that there are probably more cases of child labor than those two found, perhaps among casual labor in peak plucking seasons. See Statement of Martin Kunz at 5.

⁹⁸ As noted in Section B of this chapter, this is not in violation of Indian law, as long as hours of work are 27 hours or less per week and do not include night hours, and a "certificate of fitness" is obtained from a certified physician.

⁹⁹ See Statement of Martin Kunz at 5. According to Mr. Kunz, the child at issue had already turned 14 by the time the arrangement was worked out, but the same terms would be applied should the need arise again in the future.

¹⁰⁰ See Statement of Martin Kunz at 5.

¹⁰¹ Activities of TRANSFAIR at 7.

¹⁰² Kunz at 35.

¹⁰³ Kunz at 38.

This observation was echoed by monitoring consultants during U.S. Department of Labor site visits to India and Tanzania. The TRANSFAIR consultant in Tanzania found that tea estate workers are not always fully aware of their rights under the program and sometimes allow managers to make decisions concerning the use of the premium. The consultant had not, however, seen any intimidation of workers in this respect, and noted that most workers want to use the funds to build permanent dwellings.¹⁰⁴ Mr. Raja Menon, tea monitoring consultant in northern India and Nepal, said members of the joint committees are frequently hand-picked by management, evidence of the almost feudal nature of management-employee relations on many estates.¹⁰⁵

Most estates appear to sell only a small portion of their tea through the labeling programs, and premiums are dependent on sales. The manager of Pussimbing Tea Estates in Darjeeling, India expressed concern that should the premiums decrease due to reduced sales of labeled tea, management could be left with a half-finished road project being financed by premiums. Should that occur, management would have to complete the road at its own expense.¹⁰⁶

During the first two years of tea labeling (December 1994 through 1996), participating producers received fair trade premiums amounting to 2.5 million German marks, or \$1.4 million.¹⁰⁷ Sales of labeled tea in Austria, Denmark, Japan, Germany, Luxembourg, and Switzerland were 304 metric tons in 1996, and 432 metric tons in 1995.¹⁰⁸ In Germany, where tea labeling is the most developed, 29 tea importers and retailers have become licensees of the TRANSFAIR label.¹⁰⁹ These licensees include two of the largest tea traders in Germany — Teekanne and Ostfriesische Tee Gesellschaft (OTG), which are each labeling one line of their tea.¹¹⁰

According to a TRANSFAIR International official, the attractiveness of a fair trade label license depends to a large extent on the public awareness and trust that the label can generate. Promotion of the label among retailers and consumers is seen as central. Media publicity and the endorsements of the German president and television personalities have helped increase consumer awareness of fair trade labeling. A survey in Germany showed that four years after the establishment of TRANSFAIR, one-third of all consumers recognized the TRANSFAIR seal and had an idea of what it represents.¹¹¹ In February 1997, TRANSFAIR International reported to command a market share of approximately 2.5 percent in Germany.

¹⁰⁴ Interview with Simone Axman, tea monitoring consultant, by U.S. Department of Labor official (June 24, 1997).

¹⁰⁵ Interview with Raja Menon, tea monitoring consultant, by U.S. Department of Labor official (June 8, 1997).

¹⁰⁶ Interview with P.K. Ganguly, Manager, Pussimbing Tea Estates, Darjeeling, India, by U.S. Department of Labor official (June 5, 1997).

¹⁰⁷ Electronic correspondence from Martin Kunz, Transfair International, to U.S. Department of Labor (August 13, 1997) [on file].

¹⁰⁸ According to Martin Kunz, this apparent decline was due to importer inventory building during the first year labeled tea was available. In Germany, tea sales increased during the same period, from 208 tons in 1995 to 234 tons in 1996. *Id.*

¹⁰⁹ Activities of TRANSFAIR at 15.

¹¹⁰ Electronic correspondence from Martin Kunz, Transfair International, to U.S. Department of Labor (August 13, 1997) [on file].

Various studies show that a significant minority of consumers are willing to pay as much as 20 to 25 percent more than average retail prices for fair trade products, as long as quality remains high, the products are readily available, and an independent agency guarantees that higher prices translate into benefits that reach the primary producer.¹¹² A Dutch survey indicated that 70 percent of respondents were familiar with the Max Havelaar trademark, and 14 percent of the population — particularly women between 21 and 45 years of age — were willing to pay higher prices for fair trade products.¹¹³

The European Fair Trade Association sees the participation of mainstream wholesalers and retailers as essential to increasing market share:

Mainstream traders and sellers, who have hitherto been less than enthusiastic about “fair” products that implicitly insinuate that their other products are “unfair”, are more readily selling “fair trade” since the fair trade labels differentiate these products from the rest... Most wholesalers and retailers initially buy the fair trade products from one of the fair trade organizations.¹¹⁴ Once their turnovers start reaching commercially significant levels, it becomes interesting for the mainstream companies to start importing the products themselves and/or to start selling them under their own brand names. This process has advanced furthest with coffee which in half a dozen European countries is being bought from producers, imported, roasted, packaged, and sold mostly by mainstream commercial companies. Because these companies generally have a better organizational infrastructure and distribution network than do the fair trade organizations, they can achieve a relatively higher market penetration and higher turnovers.¹¹⁵

E. The Response of U.S. Tea Importers, Packers, and Retailers to Child Labor

In an effort to assess the extent to which companies in the U.S. tea industry have responded to concerns about child labor through implementation of codes of conduct or other formal policies, the U.S. Department of Labor conducted a voluntary survey of 10 U.S.-based importers, packers, and retailers of tea.¹¹⁶ (See Box V-I for a list of the companies surveyed and Appendix B for the Company Questionnaire.)

¹¹¹ Statement of Martin Kunz.

¹¹² Kunz at 34.

¹¹³ Fair Trade in Europe at 25.

¹¹⁴ Fair Trade Organizations are non-profit organizations that, unlike the labeling initiatives, sell fair trade products themselves. Among the products they sell are goods carrying the fair trade labels.

¹¹⁵ Fair Trade Yearbook 1995 at 30.

¹¹⁶ Most large food retailers sell branded tea products as well as their own private label tea. The companies surveyed were chosen from publicly available information on market share and sales in the tea industry and interviews with several industry experts. Importers/ packers were chosen from published articles on market share and sales in the tea bag and ready-to-drink tea markets. The food retailers surveyed include the three largest, based on 1996 public annual sales data obtained from Kurt Salmon Associates. See “Tea Bag Market,” *Advertising Age* (November 22, 1993); Eric Sfiligoj, “Skylight Turns Cloudy,” *Beverage World* (March 1997); “Tea Sales by Category,” *Beverage World* (March 1995); and Kurt Salmon Associates, *Financial Profile for Fiscal Year 1995* (July 1996).

Tea Importers, Packers and Retailers Surveyed

American Stores Co.*
 R.C. Bigelow, Inc.
 The Kroger Co.*
 Lipton
 Nestle Beverage Company*
 Redco Foods, Inc.*
 Reily Foods Company
 Safeway Inc.
 Tetley USA Inc.
 R. Twining & Co., Ltd.*

*Company either did not respond to the survey or designated its response business confidential.

Of the ten companies surveyed, five provided reportable responses: Lipton, R.C. Bigelow, Inc., Reily Foods Company, Safeway Inc.; and Tetley USA Inc. The five remaining companies either did not respond or designated their response business confidential.

Several of the companies surveyed, including Bigelow and Reily Foods, purchase all teas through third-party importers. Lipton indicated it purchases its teas through a combination of U.S.-based importers, overseas brokers representing specific estates, its own buyers at public auctions overseas, and direct purchases from estates, some of which are affiliate-owned. Tetley stated that all its tea is purchased and supplied by the Tetley Group's Worldwide Tea Buying and Blending organization, based in the United Kingdom.

Companies returning reportable survey responses indicated that they are unaware of the use of child labor in overseas tea estates. Some companies reported that in the many years they have been doing business with and visiting tea producers around the world, neither they nor their buyers had ever observed children working on tea plantations. Others responded that child labor has never been perceived as an issue in the industry.

None of the five companies returning reportable responses participate in a labeling system or have a code of conduct or formal policy prohibiting the use of child labor. Lipton noted that its own purchasing and personnel policies require all employees to behave in an ethical manner and in compliance with all laws. Since it has never seen children working on tea plantations in violation of ILO Convention 138, however, the company sees no need to implement a code of conduct concerning child labor or inform consumers about child labor policies.

Hindustan Lever, a partially owned Indian subsidiary of Unilever (the parent company of Lipton), provided the Department of Labor with Unilever's *Code of Business Principles*, which states: "Unilever companies are required to comply with the laws and regulations of the countries in which they operate."¹¹⁷ The Hindustan Lever representative said that Unilever tea gardens only employ workers who are 18 or older; the company uses a computerized record system, including an employee's age, to monitor for compliance.¹¹⁸

On the issue of labeling, Tetley noted that the common practice of blending teas from different sources could make labeling problematic. Tetley noted that variations in tea leaf quality associated with climatic and other field conditions require frequent changes in blend recipes. Because of frequent sourcing changes, Tetley does not consider tea labeling "a practical device of calling attention to a given estate's benefits or drawbacks."

The Tea Association of the U.S.A., whose members account for approximately 80 percent of United States tea trade, states that in both major and small tea producing countries, prohibitions against child labor are spelled out in national laws or voluntary industry standards on the minimum age of employment. The Tea Association notes that in several countries, including India and Malawi, local tea associations insist on standards that are higher than those mandated by national legislation. In addition, the Tea Association states that member companies will "encourage all the tea producing countries to require strict adherence to all ILO standards and/or all applicable local labor legislation."¹¹⁹

The only evidence of voluntary codes of conduct with specific provisions on child labor in the tea industry was found during a U.S. Department of Labor site visit to Tanzania. At the Kibena Tea Company, a 17,000-acre estate in Nyombe, Tanzania, estate officials provided the U.S. Department of Labor with a 16-page "Supplier Assessment Checklist/Report" that UK-based Premier Beverages requires Kibena to complete. The document states:

No children should be employed who are under 14 (or the legal minimum if higher). Children under 18 should not work at night or in hazardous conditions. Depending on local circumstances, children of school age over 12 may be employed part time if still in education.

Premier Beverages' checklist requests information on the number and ages of workers under 16 years; their terms of employment and rates of pay; and availability of schools and child care facilities. It also includes detailed questions on the use of pesticides/fertilizers; the existence of outsourcing arrangements from small suppliers (including a question on how many workers employed by these suppliers are

¹¹⁷ Guangdong Lipton Foods Company, a producer of tea bags in Guangzhou, China, also provided DOL officials with a copy of Unilever code of conduct.

¹¹⁸ Interview with A. Lahiri, Director of Human Resources, Corporate Affairs, and Technology, Hindustan Lever, India, by U. S. Department of Labor official (June 12, 1997).

¹¹⁹ Tea Association statement.

TABLE V- 2

Type of Policy Prohibiting Child Labor
(Based on Responses to Department of Labor Questionnaire)

Company	Code or Statement of Principles ^a	Purchase Order Requirement ^b	None
R.C. Bigelow, Inc.			•
Lipton			• ¹
Reily Foods Company			•
Safeway Inc.			•
Tetley USA Inc.			•

^a Company has a formal code of conduct, statement of principles or compliance certificate.

^b Company has a purchase order, letter of credit, or buying agent agreement, which contains a specific prohibition on child labor in overseas production.

¹ Lipton's personnel practices and purchasing policies require all employees to behave in an ethical manner, in compliance with all laws. Lipton parent Unilever's Code of Business Principles requires all Unilever companies to comply with the laws and regulations of the countries in which they operate.

under 16 years of age); wages and hours; and forced labor.

F. Conclusion

Unlike the industries discussed in earlier chapters, the tea industry has not been the subject of U.S. consumer campaigns against child labor. In the mid-1990s, however, consumer and social groups in Germany began raising concerns about the employment of children on tea estates in India. These concerns, as well as the possibility they could translate into declining sales, led to preemptive action by the Indian tea industry, which adopted a voluntary industry minimum age standard above that mandated by Indian law. Apprehensions that child labor could be illegally employed on tea estates also led the administrators of the first tea labeling program — a fair trade initiative — to incorporate a provision into their criteria prohibiting the employment of children under 14.

It is impossible to accurately estimate the number of children employed in the tea industry worldwide. Recent reports and information gathered during site visits by Department of Labor officials to Brazil, India, Kenya, Nepal, and Tanzania indicate that child labor is no longer common on large commercial estates in these countries. Child labor appears to be more pervasive in the smallholder sector in these and other countries. More research is needed to determine whether these children work on their families' farms or as hired laborers and whether they attend school. Since outsourcing arrangements whereby larger estates purchase the har-

vested leaves from smallholders are not uncommon, it is possible that tea plucked by children on smallholder estates enters international commerce.

Unlike the other labeling programs discussed in this report child labor is not the central element of fair trade labeling. The fair trade movement aims to improve overall living and working conditions for small-scale producers and their families in developing countries. Fairly traded tea, unlike most fair trade products, comes primarily from large-scale commercial estates. The child labor prohibition was incorporated into the tea producer criteria in response to concerns that child labor could be an issue on the tea estates supplying labeled tea. Only a small amount of fairly-traded tea comes from small producer cooperatives, however, where child labor is most likely to occur.

Formal policies or codes of conduct with provisions prohibiting the illegal employment of children do not appear to be common in the tea industry. This is not surprising, given the fact that child labor does not now appear to be common in commercial tea estates. The five large U.S. tea importers, packers, and retailers who provided reportable responses to a voluntary U.S. Department of Labor survey indicated they do not have a policy or code of conduct specifically prohibiting the employment of children on overseas tea estates from which they source. Some companies stated they had never received information on child labor in overseas estates or perceived child labor as an issue in the industry. According to the Tea Association of the U.S.A., however, its members will in the future encourage all tea producing countries to require strict compliance with international or local labor legislation.

VI. Conclusion

This report has described efforts initiated by companies, NGOs, and other groups to eliminate the use of child labor in the hand-knotted carpet, leather footwear, soccer ball, and tea industries. While such efforts include codes of conduct and other child labor policies, the focus of the report has been the emerging child labor consumer labels.

The labeling of products to convey information to consumers on working conditions has a long history in the United States. Early efforts originated in the nineteenth century and were meant to indicate that certain products were manufactured in a union environment or under decent working conditions, including without child labor. In recent years, a growing number of consumers in the U.S. and other industrialized countries have become concerned about the possibility of purchasing imported goods made by children and have sought assurances from importers and retailers. Various organizations have reacted by instituting labeling programs. These labeling efforts directly convey to the consumer, through the use of a visible label, that the manufacturers or importers of a good adhere to a code of conduct or “child friendly” policy.

These labels vary in meaning and scope. Some are meant to provide an assurance to consumers that the goods they purchase have not been made by children. In other cases, a label may solely signify that the producers, exporters, or importers of the goods have contributed to social programs to improve conditions for workers and their families.

Consumer labels with a child labor component exist in the hand-knotted carpet, leather footwear, soccer ball, and tea industries. A few of these programs were initiated by the U.S. private sector, but most were developed by foreign producers, governments, or organizations. U.S. importers and retailers have not generally instituted labeling initiatives, and products with child labor labels are not widely available in the United States at this time. Labeling is more common in Europe, perhaps because of the precedent of fair trade labeling, in which some of the largest European importers and retailers are participating.

Because the child labor labeling programs are recent, and definitive data on costs and benefits as well as consumer demand are not available, this report has not attempted to make quantitative assessments of their effectiveness. Instead, the report has described the programs and views on their implementation, using information gathered from companies or organizations that administer the programs, a small, non-random voluntary survey of U.S. importers and retailers, and site visits to producing countries.

The Department of Labor believes that labeling programs can be an effective, market-based response to consumers who do not want to support the exploitation of children in the production of goods for export. Labeling initiatives can help create useful partnerships among industry groups, NGOs, international organizations, and governments to combat child labor. Furthermore, they may have an impact on reducing child labor in targeted industries. The more comprehensive labeling pro-

grams — including monitoring and social components — are likely to have a more significant impact in reducing and preventing child labor.

A. Child Labor in the Production of Hand-Knotted Carpets, Leather Footwear, Soccer Balls, and Tea

There have been numerous allegations of child labor in the four industries examined in this report, many of which were documented in previous volumes of *By the Sweat and Toil of Children*. The research conducted for the current report has found that the great majority of children who work in the carpet, leather footwear, soccer ball, and tea industries are found in subcontracting or smallholder operations, including homework, rather than in factories and well organized workshops or agricultural estates. Children tend to perform the labor-intensive operations associated with the production of these goods. While poverty remains a common explanation given for the persistence of child labor, lack of access to quality education and inadequate law enforcement perpetuate a cycle of child labor and poverty in many countries.

Due to a lack of adequate, affordable schools, many children are left in the care of their mothers all day. This sometimes creates a barrier for women to work outside the home or obliges them to bring their children to work. Some parents combine farming and manufacturing homework. Because there are very few controls on such subcontracting arrangements, the potential for violation of child labor, wage and hour, as well as health and safety laws is multiplied in home settings.

Hand-knotted carpets: Child labor continues to be a problem in the hand-knotted carpet industries of India, Nepal, and Pakistan. The actual extent of exploitative child labor in the carpet industry remains unknown. Estimates on the number of working children range widely. Bonded child labor, in which children are forced to work off their parents' debts, continues to exist in the carpet industries of India and Pakistan.

Children are involved in almost every aspect of carpet production, including dyeing, spinning, and unraveling yarn and weaving, knotting, cutting, and washing carpets. In Nepal, where the hand-knotted carpet industry is concentrated in the Kathmandu Valley, children tend to work in factories. In India and Pakistan, however, children can be found working in small centers, loomsheds, and homes in rural villages or urban areas. Working conditions are often dangerous and unhealthy. During the various phases of carpet production, children are exposed to chemical dyes and sharp tools. Many develop respiratory illness and suffer spine deformities and retarded growth from long hours of work crouched in poorly ventilated, dust-filled rooms.

Leather footwear: Reports of child labor in the leather footwear industries document children cutting, hammering, folding, gluing, marking, hand-sewing, and sanding the soles of shoes. The enterprises where children work tend to be home-based, sometimes operating as subcontractors to producers of shoe parts or shoes. Children often work in unhealthy environments and are exposed to hazardous chemicals and fumes. They work long hours and earn little.

The incidence and attitudes towards child labor in the footwear industry differ among countries. In Mexico, for instance, child labor in household production of footwear seems to be widely acknowledged. In India and Pakistan, where the footwear industry has experienced some growth in recent years, there are reports that the use of child labor may be increasing. In these countries, there are no footwear labeling programs, and the use of codes of conduct is rare.

The structure of the Brazilian footwear industry, with its many tiers of producers and suppliers, facilitates the employment of children, as does also the educational system, which holds classes either in the morning or in the afternoon. The consensus of Brazilian business leaders, NGOs, union leaders, and government officials interviewed by the Department of Labor is that there has been a reduction in the number of children working in the footwear industry centered in Franca, dubbed a few years ago as Brazil's "capital of child labor." This reduction may be due, at least in part, to the national emphasis on the eradication of child labor and two labeling programs addressing child labor in the Brazilian footwear industry.

Soccer balls: The use of child labor in the production of hand-stitched soccer balls has been documented primarily in Pakistan and India. The stitching of soccer balls in Pakistan is decentralized in homes and small village workshops, mainly in the area of Sialkot. Traditionally, subcontractors distribute synthetic leather panels to families and village workshops to be stitched together into soccer balls. Adults and children commonly work side by side in stitching the balls. Working arrangements in India are very similar.

Tea: It is impossible to accurately estimate the number of children employed in the tea industry worldwide. Existing surveys of child labor in the tea industry usually cover large-scale operations, failing to document potential child labor on smallholder estates. Recent reports and information gathered during site visits by Department of Labor officials to Brazil, India, Kenya, Nepal, and Tanzania indicate that child labor is no longer common on large commercial estates in these countries.

Child labor appears to be more pervasive in the smallholder sector in these and other countries. More research is needed to determine whether these children work as hired laborers or on their own families' farms, which is legal under international conventions, and if they attend school. In some cases, smallholder harvests are sold to nearby larger estates through outsourcing arrangements. Most allegations of child labor in the tea industry involve plucking, weeding, hoeing, and nursery work. Some argue that children make good pluckers because of their "nimble fingers;" others argue that plucking is too arduous a task for children to perform.

B. Consumer Labeling Programs

Research underlying this report has identified numerous labeling programs addressing child labor in the hand-knotted carpet, leather footwear, soccer ball, and tea industries. Nine of these programs are described in considerable detail in this report. These programs, and their product coverage, are (in alphabetical order): The Abrinq Foundation for Children's Rights (leather footwear); Baden Sports (soccer balls); Care and Fair (hand-knotted carpets); Fair Trade Labeling (tea); Kaleen (hand-

knotted carpets); Pro-Child Institute (leather footwear); Reebok (soccer balls); RUGMARK® (hand-knotted carpets); and the STEP Foundation (hand-knotted carpets).

The first modern labeling program addressing child labor identified in the research for this report is RUGMARK®, established in India in 1994. Several other programs described in the report started soon thereafter. Some labeling programs, however, were barely getting started at the time U.S. Department of Labor officials made visits to Brazil, China, India, Kenya, Mexico, Nepal, Pakistan, and Tanzania in the summer of 1997. Since most of the labeling programs have been in operation for less than two years, there is limited information on their operation. Moreover, implementation procedures are still being worked out.

While some of the labeled products are available in the U.S. market, many can only be found in other countries. The U.S. market is the focal point of the two soccer ball labeling programs, which were developed and are administered by individual U.S. corporations. Soccer balls labeled by these programs are currently available for sale to U.S. consumers.

The remaining labeling programs were developed and are administered by foreign entities, and the labeled products are sold in different geographic markets, which may include the United States.

- The bulk of hand-knotted carpets bearing the RUGMARK®, Kaleen, STEP and Care & Fair labels are found in Europe, although some RUGMARK® and Kaleen carpets are also available in the United States.
- The Abrinq Foundation and Pro-Child Institute labels are only found in Brazil and other South American countries.
- Tea bearing one of the fair trade labels can be found in Austria, Denmark, Germany, Japan, Luxembourg, Switzerland and the United Kingdom. Labeled tea is scheduled to be available in the United States by the end of 1997.

C. The Physical Label

Six of the labeling programs issue product labels, while three issue company labels. Product labels are affixed to the actual good, while company labels are used to certify that a company as a whole has met certain child labor criteria.

- Product labels include RUGMARK® and Kaleen for hand-knotted carpets; the Pro-Child Institute label for leather footwear produced in Brazil; the Reebok and Baden labels for soccer balls; and the fair trade labels for tea.
- Company labels include STEP and Care & Fair for hand-knotted carpets, and The Abrinq Foundation for leather footwear produced in Brazil.

D. Claims Behind the Label

The labeling programs reviewed in this report make different claims about child labor. Some of the programs inform consumers that products have not been manufactured by children. Others claim that, in addition to creating a child labor-free production environment, they provide or fund alternatives for child laborers such as schools and/or promote employment for their parents. Still others do not make any claims regarding child labor, but contribute funds to social programs.

Most of the labels, with the exception of those on soccer balls, include a logo but little text. In these cases, the label alone does not convey its meaning to consumers, and the claims behind the label must be sought out from other sources.

The four major carpet labeling programs make very different claims, while at the same time communicating similar visual messages to the consumer :

- The RUGMARK® program claims that carpets are produced in a child labor-free production environment subject to a monitoring and tracking system. The exact wording of the claim currently differs in the literature of the various national foundations. RUGMARK® also claims that children removed from the carpet industry are placed in rehabilitation programs, funded by licensees fees and other sources. RUGMARK® also requires its licensees to pay at least the official minimum wage to weavers.
- The Kaleen program claims that carpets are produced by companies who have stated they do not employ child labor. It also contributes to child welfare programs funded by exporter fees.
- The STEP Foundation claims that licensed importers and retailers have agreed to actively fight abusive child labor, promote improved working and environmental conditions, and provide financial support for development and rehabilitation programs.
- The Care & Fair Foundation claims its members have obligated their carpet suppliers to produce without the use of child labor and contribute to health and education programs for carpet workers and their families.

The labeling programs of the Abrinq Foundation and of the Pro-Child Institute claim that no child labor is used in the manufacture of leather footwear by participating companies.

- The Abrinq Foundation makes the additional claim that participating companies either operate and/or contribute to projects that benefit children, such as education and training.
- The Pro-Child Institute also claims that child labor has not been used in any part of the leather footwear “chain of production.”

The labeling programs of Reebok and Baden claim that soccer balls are produced in a child labor-free environment.

- Reebok claims that “all work in soccer balls imported ... is performed at the factory by workers aged 15 or older” and that independent human rights monitors periodically verify that this is the case. Reebok also says that it supports educational and vocational training for children in the Pakistani soccer ball manufacturing industry.
- Baden claims that no child labor or slave labor has been used in the production of its soccer balls.

The fair trade labels claim that tea is grown and harvested on plantations certified as not employing children under 14. Unlike most other labeling programs discussed in this report, child labor is not the primary focus of fair trade labeling. Rather, fair trade labeling aims to improve overall conditions for workers through the payment of a fair trade premium.

The existence of competing child labor labels conveying similar messages may raise some confusion among consumers. Conceivably, a product could have more than one child labor-free label if it complied with the requirements of more than one program. Since most labels only contain logos or short statements, consumers may not have sufficient information to choose one labeled product over another.

E. Administration of Labeling Programs

The labeling programs are administered by different entities, including individual companies, groups of companies, governmental entities, NGOs, or a combination of the above.

- Five of the nine labeling programs were developed, and are administered by, business associations or individual businesses engaged in production, export or retail sales. These are: Care & Fair (hand-knotted carpets); The Abrinq Foundation and Pro-Child Institute (leather footwear); and Baden and Reebok (soccer balls).
- Kaleen (hand-knotted carpets) was developed and is administered by the Indian Carpet Export Promotion Council (CEPC), a quasi-governmental body financed by private members of the CEPC and the Indian Ministry of Textiles.
- Two of the labeling programs — the STEP Foundation (hand-knotted carpets) and fair trade labeling organizations (tea) — were created and are administered by NGOs that focus on social development issues.
- RUGMARK® and the Abrinq Foundation are hybrids, made up of groups from various sectors. RUGMARK® was founded by NGOs, the Indo-German Export Promotion Program, UNICEF, and representatives of the carpet industry. The Abrinq Foundation was founded by members of the Brazilian Toy

Manufacturers Association and includes a wide range of business representatives on its board of directors.

The nine labeling programs rely on different financing mechanisms. Most often, retailers and importers finance the programs, but in some cases, manufacturers and/or exporters in producing countries provide funds.

- In carpets, RUGMARK® and Care & Fair activities are financed through both importer and exporter fees. Kaleen relies on exporter fees; STEP on importer fees.
- In leather footwear, the labeling activities of the Abrinq Foundation are financed through a grant received from a private company. Participating companies do not pay fees or dues. The Pro-Child Institute program is financed through contributions of participating footwear manufacturers.
- The Reebok and Baden soccer ball labeling programs are self-financed by each company.
- In tea labeling, importers and retailers pay a licensing fee for the use of the fair trade label.

There is little available information on the additional costs associated with the labeling programs, and who bears the burden of such costs. The significance of the costs of labeling programs in relation to other production and marketing costs depends on the approach used.

- An integral part of Reebok's labeling program for soccer balls in Sialkot, Pakistan, was the construction of a new factory that would locate all stitchers under one roof. The decision to centralize stitching in a factory setting required additional expenses to transport stitchers from homes to the factory and fund health insurance and pension plans. Reebok has stated that it does not intend to pass on the costs of operating its Sialkot program to soccer ball consumers.
- Several of the programs have well defined schedules of costs borne by importers, exporters, or producers. Little information is available at this time on whether these costs are passed on to consumers.
- Two programs — Care & Fair and fair trade labeling — specifically intend for consumers to pay a premium for purchasing the related products.

F. Transparency

Most labels discussed in this report do not convey all aspects of the labeling program to consumers. Most are pictorial representations (logos) containing little or no text. Some consumers might be under the impression that any label indicating opposition to child labor translates into a “child labor-free” guarantee, but as explained above, this may not be the case. On the other hand, many consumers might

be satisfied to know that some effort is being made by the industry or company from which it is buying a product to eliminate child labor or support children's development, and not seek out a guarantee of no child labor. While consumers do not necessarily want to read detailed information on how a particular labeling program works, it is important that this information be readily available for those who seek further explanation.

Since the viability of labeling initiatives depends on the volume of sales they generate, their success will ultimately depend on the degree to which they succeed in consumer outreach. With a few exceptions, the research underlying this study found that the labeling programs have not engaged in extensive consumer education programs. This may be due to the programs' recent implementation and the high costs associated with consumer outreach and advertising campaigns.

G. Monitoring

No labeling program is entirely foolproof. Yet credibility in the eyes of the consumer is an issue of paramount importance. Some importers, producers or organizations may find it profitable to label items as being child labor-free without actually instituting an adequate monitoring program. This strategy can backfire if exploitative child labor is found in the facilities where the products are made. Loss of credibility in labeling programs can be difficult, if not impossible, to restore.

One of the ways credibility can be maintained is through monitoring of production facilities, including subcontracting arrangements. Research underlying this report has found that child labor in hand-knotted carpets, leather footwear, soccer balls and tea is most often associated with production by households, small workshops and smallholder plantations. Unless there is a monitoring program that addresses production by these units, child labor-free claims cannot be guaranteed.

Labeling programs examined in this report have different objectives, and thus different mechanisms to back up their child labor claims. These range from rigorous monitoring and inspection by external entities, to no monitoring at all. RUGMARK® and the soccer ball labeling program of Reebok appear to follow the model of rigorous monitoring. At the other extreme, the Care & Fair Foundation expressly rejects monitoring because of the difficulty of the task. However, rigorous, credible monitoring is essential to the integrity of a label explicitly claiming "no child labor."

It is becoming increasingly common for individual companies to affix their own child labor-free label to a product, particularly hand-knotted carpets and soccer balls, without instituting a monitoring system to back up the claim. Several brands of soccer balls currently being sold in the United States carry labels stating that the product has been made without child labor. Importers and retailers selling such products do not have a mechanism in place to confirm the veracity of the claims made by the producers and instead rely heavily on membership of their Pakistani manufacturers in the Partners' Agreement. Since the internal and external monitoring programs of the Partners' Agreement are not yet fully operational, it is premature for balls being produced in Pakistan to be labeled as child labor-free solely on the basis of this Agreement.

H. Recommendations

Based on the information gathered for this report through public hearings, a voluntary survey of U.S. importers and retailers, and visits to producing countries, the Department of Labor found that labeling programs can be an effective response to consumers who do not want to support the exploitation of children in the production of goods for export.

Labeling programs can have several positive effects. In addition to satisfying consumer interest for labeled products, labeling programs can encourage a consensus among industry groups, NGOs, international organizations, and governments to combat child labor. Second, many labeling programs raise funds for education and rehabilitation programs for former child workers and/or families in the affected industries. Finally, labeling programs can have an impact on reducing child labor in targeted industries, especially when these programs contain effective and transparent monitoring and enforcement procedures.

To increase the effectiveness of voluntary labeling programs to eliminate child labor, the U.S. Department of Labor recommends that U.S. companies consider whether some additional voluntary steps might be appropriate:

1. U.S. importers and retailers should consider further support for labeling efforts that inform consumers that a product is made without the use of child labor.

Labels can convey valuable information to consumers seeking child labor-free products. U.S. importers and retailers who have not implemented a labeling initiative should consider the benefits that labels may offer not only to consumers but to their own corporate image. By implementing a labeling initiative, U.S. importers and retailers may also benefit from an increase in consumer confidence.

2. U.S. importers, retailers, and administrators of labeling programs should consider working to increase the availability of labeled products in U.S. retail outlets.

Products labeled as child labor-free are not widely available in the United States. U.S. importers and retailers should consider taking steps to increase the number and variety of labeled products that are available so that consumers can exercise the option of purchasing labeled goods. Program administrators should consider increasing efforts to inform importers, retailers, and consumers about their labels.

3. Administrators of labeling programs should consider how to ensure that the claims they make about child labor are backed up with appropriate monitoring.

The integrity of a child labor-free label is best maintained through effective monitoring procedures. Some importers, particularly of hand-knotted carpets and soccer balls, appear to be placing their own child labor-free labels on products without first ensuring that adequate monitoring systems are in place to substantiate such a claim. If exploitative child labor is discovered in the facilities where such products are made, the use of such labels could result in a loss of credibility and consumer confidence.

4. Administrators of labeling programs should consider further steps to ensure that monitoring procedures cover subcontracting arrangements.

Child labor is most often found in subcontracting or outsourcing arrangements, including production by households, small workshops and smallholder plantations. If monitoring procedures do not cover these units, child labor-free claims may be misleading.

5. All parties should consider whether there would be additional benefits in adopting more standardized child labor labels.

Many existing child labor labels consist of a logo with little if any text explaining their significance. This makes it difficult for consumers to discern whether a labeled product is child labor-free. Furthermore, the existence of several labels for the same product, each potentially making different claims, may add to consumer confusion. It may be worthwhile for interested parties to consider the creation of a mechanism to standardize labels for similar products. Such a mechanism could support the development of generally accepted labeling and monitoring standards.

VI. Appendices

- Appendix A: List of Companies Surveyed
- Appendix B: Voluntary Company Questionnaire
- Appendix C: Codes of Conduct Provided by Companies Surveyed
- Appendix D: Site Visits
- Appendix E: ILO Convention 138

Appendix A: List of Companies Surveyed

Hand-Knotted Carpets

ABC Carpet and Home
Airbase Carpet Mart
Dayton Hudson Corporation
Einstein Moomjy, Inc.
Federated Department Stores, Inc.
Home Depot
Lowe's Companies Inc.
Masterlooms Inc.
May Department Stores Company
Nourison Carpets
Odegard, Inc.
Shaw Carpet Industries, Inc.
Ten Thousand Villages
Tufenkian Import/Export Ventures, Inc.
Waban Inc.

Leather Footwear

Adidas America, Inc.
Brown Group, Inc.
Edison Brothers Stores, Inc.
Federated Department Stores, Inc.
Fila Sports, Inc.
Florsheim Group, Inc.
Footstar, Inc.
Genesco, Inc.
JC Penney Company, Inc.
May Department Stores Company
Nike, Inc.
Nine West Group, Inc.
Nordstrom, Inc.
Payless Shoe Source, Inc.
Reebok International Ltd.
Sears, Roebuck & Company
Stride Rite Corporation
Timberland Company
Wal-Mart Stores, Inc.
Wolverine Worldwide, Inc.

Soccer Balls

Adidas America, Inc.
Baden Sports, Inc.
Brine, Inc.
Kmart Corporation
Nike, Inc.
Pentland Sports Group (Mitre)
Reebok International Ltd.
The Sports Authority, Inc.
Umbro, U.S.A.
Wal-Mart Stores, Inc.

Tea

American Stores Co.
R.C. Bigelow, Inc.
The Kroger Co.
Lipton
Nestle Beverage Company
Redco Foods, Inc.
Reily Foods Company
Safeway Inc.
Tetley USA Inc.
R. Twining & Co., Ltd.

Appendix B: Voluntary Company Questionnaire

OMB # 12250071
Exp. No. - 7/31/97

1. From what countries does your company import hand-knotted carpets/leather footwear/soccer balls/tea? (Please list.)
2. Please describe how you obtain your imports of hand-knotted carpets/leather footwear/soccer balls/tea. For example, do you obtain them through a purchasing agent/broker, a foreign wholesaler, directly from a producer or manufacturer, or some other party?
3. Are you using any method designed to inform consumers that no child labor¹ is used in the foreign production of hand-knotted carpets/leather footwear/soccer balls/tea? (Examples may include a label or seal affixed to the product, its packaging, or tag; membership in or affiliation with an organization that certifies the product is not made by child labor; or advertisement of child labor-free goods.) If so, please describe.
4. Do any hand-knotted carpet/leather footwear/soccer ball/tea imports that you sell, manufacture, produce or pack have a label or some sort of certification indicating that it is not made by child labor? If no, go to the next question. If yes, please describe and include any pertinent literature or documentation.
 - (A) What is the label/certification? What does it say/show? (Please include a copy).
 - (B) How does the labeling/certification system operate? Is it monitored? If so, how and by whom?
 - (C) By how much do you estimate the label/certification increases the product's cost? How was the cost estimated?
 - (D) Have you encountered any problems with the labeling/certification system? If so, please describe any problems and how you addressed them.
 - (E) Have you done any assessment of the impact of the labeling/certification system on sales? If so, please provide information.

¹ Child labor, as defined in ILO Convention 138, refers to economic activity performed by a person under the age of 15 in developed countries, or under the age of 14 in developing countries. It generally does not refer to "light work" after school, legitimate apprenticeship opportunities for young people, or children helping out in the family business or family farm.

- (F) Have you seen any impact on customer purchasing behavior or attitudes as a result of your labeling initiative? If so, please describe. (For example, market research shows that....).
- 5. Are any hand-knotted carpet/leather footwear/soccer ball/tea imports produced subject to a code of conduct or similar policy prohibiting child labor? If so, please attach a copy of the code or policy.
 - (A) How does your company implement the code of conduct or policy regarding international child labor?
 - (B) Do you monitor overseas facilities for compliance with these policies? Who does the monitoring for your company? How is monitoring carried out and how often?
 - (C) What problems have you encountered in implementing your code of conduct, or other policies regarding international child labor?
- 6. Do you have any information indicating the use of child labor in any overseas facilities from which you import? If so, please describe the actions your company took.
- 7. Does your company have any best practices or other ideas that could be shared to reduce child labor abuses in this or other industries?
- 8. Please send us your company's most recent annual report to shareholders.

Appendix C: Codes of Conduct Provided by Companies Surveyed*

Adidas America, Inc.
Brown Group, Inc.
Edison Brothers Stores, Inc.
Fila Sports, Inc.
Genesco, Inc.
JCPenney Company, Inc.
Kmart Corporation
Lowe's Companies Inc.
May Department Stores Company
Nike, Inc.
Nine West Group, Inc.
Oriental Rug Importers Association (provided by Masterlooms Inc.)
Payless ShoeSource, Inc.
Pentland Sports Group (Mitre)
Reebok International Ltd.
Stride Rite Corporation
Timberland Company
Umbro, U.S.A.
Wal-Mart Stores, Inc.
Wolverine Worldwide, Inc.

* The inclusion of a company's policy in this Appendix does not constitute endorsement by the Department of Labor of any product, service, company, or policy.

Adidas America

Sublicense Agreement

ARTICLE 5- FURTHER DUTIES AND OBLIGATIONS

- 5.1 (Name of company) shall cooperate fully with ADIDAS Sales and Customer Service personnel.
- 5.2 (Name of company) will protect and promote ADIDAS' goodwill and reputation and will avoid any activity which is knowingly detrimental to ADIDAS' interest, reputation, MARKS and goodwill, including strict adherence to ADIDAS' distribution and close out policies.
- 5.3 (Name of company) will comply with all applicable laws, rules, regulations and requirements regarding the manufacture, distribution, sale, or promotion of PRODUCTS, including, but not limited to, applicable laws, rules and regulations regarding minimum wage; overtime; child labor; and occupational health and safety. (Name of company) shall not use any form of forced labor in the manufacture of PRODUCTS, whether prison labor or otherwise. (Name of company) will cooperate in any compliance or monitoring program implemented by ADIDAS to ensure that all PRODUCTS are manufactured and distributed in compliance with applicable laws, rules, regulations or requirements, and shall require that all its subcontractors do so as well. (Name of company) shall, at ADIDAS' request, certify in writing that it is in compliance with all applicable laws. Breach of this provision shall be grounds for immediate termination of this Agreement.
- 5.4 (Name of company) shall undertake to secure from the appropriate authorities in the TERRITORY, at its own cost and expense, without any cost to ADIDAS, all permits, concessions or other documents required by law in connection with the manufacture and/or distribution of PRODUCTS in the TERRITORY.
- 5.5 (Name of company)'s right to distribute and sell PRODUCTS under the MARKS pursuant to this Agreement is limited to the TERRITORY and approved channels of distribution. (Name of company) shall submit to ADIDAS a list of its proposed channels of distribution, which channels must be approved in writing by ADIDAS prior to the effective date of this AGREEMENT. Any failure to obtain approval of channels of distribution or any deviation from approved channels without the prior written approval of ADIDAS will be deemed a material breach of this Agreement giving ADIDAS the right to terminate this Agreement. (Name of company) will not, directly or indirectly, knowingly make sales of PRODUCTS to third parties who intend to sell PRODUCTS outside the TERRITORY or outside approved channels of distribution, and will promptly terminate sales to such third parties.

Brown Group Policy and Control Manual

SUBJECT: Importation of Goods Manufactured by Forced or Child Labor

ISSUE DATE: 5/20/93

I. PURPOSE

To set forth corporate policy prohibiting the importation of goods manufactured by forced or child labor.

II. COMPANIES AFFECTED

All Brown Group, Inc. member companies.

III. IMPLEMENTATION

To be adopted immediately.

IV. DESCRIPTION OF POLICY

All Brown Group, Inc. member companies will comply with and take positive actions, as described under Specific Guidelines, to insure adherence to the provisions of the Smoot-Hawley Tariff Act of 1930 relating to the prohibition of the importation into the United States of goods manufactured by convict, forced, or indentured labor ("forced labor"). The member companies will also obtain assurance from any manufacturer or supplier that any goods accepted by Brown Group, Inc. member companies were produced in compliance with the respective child labor laws of the country of manufacture.

V. SPECIFIC GUIDELINES

1. Provisions of the law relating to forced labor -

Section 307 of the Smoot-Hawley Tariff Act of 1930 (19 U.S.C. § 1307) provides:

All goods, wares, articles and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited, and Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this provision. The provisions of this section relating to goods, wares, articles and merchan-

discovered, mined, produced, or manufactured by forced labor or/and indentured labor, shall take effect on January 1, 1932; but in no case shall such provisions be applicable to goods, wares, articles, or merchandise so mined, produced, or manufactured which are not mined, produced, or manufactured in such quantities in the United States as to meet the consumptive demands of the United States.

“Forced Labor,” as herein used, shall mean all work or service which is exacted from any person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily.

2. Governmental administration and enforcement of the law relating to forced labor -

The United States Customs Service is responsible for the administration of the Tariff Act of 1930, as amended, including the prohibition against importation of goods made by forced labor addressed in Section 307. Pursuant to Customs Regulations, the Commissioner of Customs is required to investigate and determine whether merchandise within the purview of Section 307 is being, or is likely to be, imported into the United States. The publication of a final finding that certain merchandise is subject to the provisions of Section 307, and consequently prohibited from importation, is subject to the approval of the Secretary of the Treasury. Regulations dealing with this issue are found in Sections 12.42 through 12.45 of the Customs Regulations (19 C.F.R. §12.42 - 12.45).

In addition to the prohibition found in Section 307 and the resulting exposure to seizure of the goods by U.S. Customs Service, there are criminal statutes which make it a violation to knowingly import forced labor-made goods.

3. Specific actions to help insure member company compliance -

- A. Any member company which purchases any goods, the title of which passes to the member company or its customers outside the United States and imports such goods into the United States, shall notify the manufacturer of the goods of Brown Group, Inc.'s policy relating to the importation of goods manufactured by forced or child labor.

Notification of the policy should be performed in writing and can be accomplished through a letter similar to the example in Exhibit I. If the manufacturer's name and address is not known at the time of placing the purchase order, the written notification should be sent to the agent assisting with the purchase.

- B. As a further procedure to help insure compliance with this policy, the member company shall require the manufacturer to certify that the goods, including component parts of the goods, were not manufac-

tured with forced or child labor. An example of this certification appears in Exhibit II.

This certification document shall be required as a condition of payment for the goods whether purchased by letter-of-credit or on an open account basis.

- C. Each member company overseas buying office shall be diligent in the enforcement of this policy and immediately cease any business activities with any manufacturer that is discovered using forced or child labor or is suspected of using forced or child labor to produce goods for any member company or its customer. On-site visits by employees of the member company buying offices shall be conducted on a periodic basis at each manufacturing location for which purchase orders are being serviced to review for compliance with this policy.

Brown Group Inc. Policy and Control Manual

EXHIBIT I

MEMORANDUM

ISSUE DATE: 5/20/93

TO: ALL BROWN GROUP, INC. RESOURCES

FROM: (APPLICABLE OFFICER OF MEMBER COMPANY)

RE: PROHIBITION AGAINST THE IMPORTATION OF GOODS
MANUFACTURED BY CONVICT, FORCED, INDENTURED
OR CHILD LABOR.

Brown Group, Inc. (BGI) has reviewed pertinent U.S. statutes and regulations prohibiting the importation of goods manufactured by convict, forced, or indentured labor. In order that there may be no misunderstanding as to the scope of what is covered by the statute and regulations, the following is provided for your information.

Section 307 of the Smoot-Hawley Tariff Act of 1930 (19 U.S.C. SS 1307) provides:

All goods, wares, articles and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof and the importation thereof is hereby prohibited, and the Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this provision. The provisions of this section relating to goods, wares, articles and merchandise mined, produced, or manufactured by forced labor or/and indentured labor, shall take effect on January 1, 1932; but in no case shall such provisions be applicable to goods, wares, articles, or merchandise so mined, produced, or manufactured which are not mined, produced, or manufactured in such quantities in the United States as to meet the consumptive demands of the United States.

“Forced Labor,” as herein used, shall mean all work or service which is exacted from any person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily.

The United States Customs Service is responsible for the administration of the Tariff Act of 1930, as amended, including the prohibition against importation of goods made by convict, forced, or indentured labor addressed in Section 307. Pur-

suant to Customs Regulations, the Commissioner of Customs is required to investigate and determine whether merchandise within the purview of Section 307 is being, or is likely to be, imported into the United States. The publication of a final finding that certain merchandise is subject to the provisions of Section 307, and consequently prohibited from importation, is subject to the approval of the Secretary of the Treasury. Regulations dealing with this issue are found in Sections 12.42 through 12.45 of the Customs Regulations (19 C.F.R. §§ 12.42- 12.45).

It is the stated policy of BGI that it will not purchase from or deal with any company or individual who is violating or contemplates violating Section 307 or the respective child labor laws of the country of manufacture. In addition to the prohibition found in Section 307, there are criminal statutes which make it a violation to knowingly import convict-made goods. Due to the very serious nature of this problem, if at any time BGI learns of or suspects that any of its vendors is dealing with or utilizing prison, forced or child labor to produce goods for BGI, the company will immediately cease doing business with any and all such organizations.

BGI's intention is to follow this policy without exception. The prohibition includes those situations where goods are manufactured with components or materials that have been made by prison or child labor. BGI will not accept any finished product or any portion of that finished product that is the result of prison, forced or child labor. Any company representing BGI as a buying agent, will be required to notify any prospective manufacturer or supplier of BGI's policy and to vigorously ensure compliance with this policy with respect to any orders placed with manufacturers or suppliers.

In order to help assure compliance with the above, BGI may require an executed certification from each company from which we purchase first cost footwear or components and with respect to each order, affirming that the footwear or components were not manufactured in violation of Section 307 of the Smoot-Hawley Tariff Act of 1930 or the respective child labor laws of the country of manufacture.

We expect 100% cooperation from your company. If you have any questions regarding this matter, please do not hesitate to contact our office.

Very truly yours,

Brown Group Inc.

Policy and Control Manual

EXHIBIT II

MANUFACTURER'S CERTIFICATE

As manufacturer of _____
(Buyer's name and purchase order number)

we hereby certify that the merchandise described therein was manufactured
wholly or in part at

(Factory Name)

(Factory Location)

and that convict labor and/or forced labor and/or indentured labor under penal sanctions as defined by U.S.A. law as well as child labor (as defined by the respective laws of the country where the manufacturing occurred) was not employed, in whole or in part, in any stage of the production or manufacture of the merchandise or any material or component thereof. We further certify that this transaction does not involve transshipments of merchandise for the purpose of mislabeling, evading quota or country of origin restrictions or avoiding compliance with forced labor (as defined by U.S.A. law) or child labor (as defined by the respective laws of the country where the manufacturing occurred).

(Name of Manufacturer)

(Signature)

(Date)

(Title)

Edison Brothers Stores, Inc.

Sourcing Partner

Code of Conduct

Edison Brothers Stores, Inc. has a long and proud tradition of conducting our business in a responsible, professional manner, from the manufacture of our goods to the sale of our merchandise. Part of this tradition is respect and concern for every individual, including our customers and employees, and the employees of our suppliers and sourcing partners. We also continue to seek partners that have standards that are fair, appropriate and mindful of the diversity of cultures.

In order to better communicate this commitment to our Sourcing Partners, we have developed a Code of Conduct which outlines our expectations in various areas. We expect each of our Sourcing Partners to take special care in reviewing our Code of Conduct, and to join with us in both its spirit and effective implementation.

Ethical: EBS will continue to partner with those who embrace our business philosophy concerning the dignity and respect of each person and the appropriate treatment of all.

Child Labor: Use of child labor is strictly prohibited and will not be tolerated by EBS. EBS will not use partners who use child labor in any of their facilities and will not accept goods from partners that utilize child labor in any manner, including in their contracting, subcontracting, or other relationships.

Wages and Benefits: Wages and benefits must comply with applicable local and national law.

Workings Hours and Overtime: Working hours and overtime must be consistent with applicable local and national law.

Prison, Forced or Compulsory Labor: The use of prison, forced or other compulsory labor is strictly prohibited.

Health and Safety: All EBS sourcing partners must provide a working environment that is safe. This commitment includes adequate fire exits and well-lit work stations. Partners that provide residential facilities for their employees must provide safe and sanitary residences.

Disciplinary Practices: EBS will not make, maintain or retain as a partner those that use mental or physical abuse or coercion, including sexual harassment.

Legal: Partners must observe all laws of the applicable country, including the laws that relate to employment, discrimination, safety and health. If local or industry practices exceed local legal requirements, the higher standard must be met.

Discrimination: EBS recognizes and respects the cultural differences of people. We also believe that workers should be judged based upon their ability to do their job and not upon their physical and/or personal characteristics or beliefs. EBS will favor partners who share this value.

If a violation of any of the above is discovered, an investigation into the alleged violation may be conducted. EBS reserves the right to undertake a variety of measures, including on-site inspections of production facilities, in order to monitor and investigate any alleged violation(s). If a violation is found to have taken place, corrective action may take a variety of forms, including termination of the order, merchandise rejection or return, and/or termination of the business relationship.

Company has read Edison Brothers Stores, Inc.'s (EBS) Code of Conduct for Sourcing Partners ("Code") and understands that business with EBS depends upon Company's full compliance with the Code. Further, we understand that failure to abide by this Code may result in the immediate cancellation by EBS of all outstanding orders and a refusal to do business in any manner with Company.

PRINT "COMPANY" NAME

ADDRESS

SIGNATURE

TELEPHONE

PRINT NAME

FAX NUMBER

TITLE

DATE

Fila

Code of Business Conduct

Compliance with Laws and Regulations

Vendor/Supplier must, at a minimum, comply with all applicable laws and regulations including but not limited to age, hours of work, minimum wage, over-time provisions for vacation and holidays, pregnancy and menstrual leave, and required retirement benefits. If an industry standard is higher than the legal minimum, Vendor/Supplier shall follow the industry standard.

Vendor/Supplier must comply with all applicable laws and regulations relating to the exportation and importation of merchandise including country of origin, labeling, customs classifications and valuation and all laws prohibiting transshipment of merchandise.

Forced Labor

Vendor/Supplier may not utilize imprisoned, indentured, bonded or any other form of compulsory labor in the manufacture of FILA products.

Child Labor

No person shall be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

Safety and Health

Vendor/Supplier must ensure a safe and healthy working environment free of any hazardous conditions. Vendors/Suppliers who provide residential accommodations for workers must insure safe, healthy and hazard-free facilities.

Worker's Insurance

Vendor/Supplier must comply with all appropriate local laws and regulations requiring health insurance, life insurance and worker's compensation.

Environment

Vendor/Supplier must comply with all applicable local environmental laws and regulations and abide by FILA's own environmental regulations.

Equal Opportunity

Vendor/Supplier must not discriminate in hiring, salary, benefits, advancement, discipline, termination or retirement on the basis of race, color, nationality, gender, disability, sexual orientation, religion, social or ethnic origin, political or

other beliefs. Employees should be hired and promoted on the basis of ability not on the basis of personal characteristics or beliefs.

Freedom of Association

Vendor/Supplier must ensure that each of their respective employees has the right to establish and join organizations of the employee's choosing.

Vendor/Supplier shall not discipline any person in their employment due to that person's non-violent exercise of such right. Vendor/Supplier must respect and recognize the rights of all employees to organize and bargain collectively.

Disciplinary Practices

Vendor/Supplier must not inflict or threaten to inflict corporal punishment or any other forms of physical, sexual, psychological or verbal abuse or harassment on any of their respective employees.

Documentation and Inspection

Vendor/Supplier must maintain on file such documentation as may be needed to illustrate compliance with this Code of Business Conduct and agrees to make these documents available for FILA's review upon request.

FILA's Code of Business Conduct applies to any and all Vendors/Suppliers. Vendors/Suppliers must ensure that any parties supplying them with materials and/or labor in the manufacture of FILA products also abide by the provisions of FILA's Code of Business Conduct.

In the event of any willful, non-compliance with these regulations, FILA may terminate or refuse to renew supply agreements with a Vendor/Supplier.

Genesco Inc.

Policy on Labor Standards

It is the policy of Genesco Inc. not to purchase merchandise manufactured under illegal or inhumane circumstances. Before initiating a buying relationship with a vendor, Genesco will advise the vendor in writing that the Company will not purchase goods made in violation of applicable law, or with child, convict, slave or other forced labor, and that the Company will immediately cease doing business with a vendor when the Company discovers that a vendor is violating the law or these labor standards.

The following language must be included in all purchase orders:

Seller shall strictly adhere to all applicable laws and prohibitions of the country in which the merchandise is manufactured and, as applicable, to the laws of the United States with respect to Seller's production facilities, business and labor practices and such merchandise, including laws governing the working conditions, compensation and age of the work force. Seller shall not use or permit to be used illegal child or forced labor in the manufacture of merchandise. Manufacturer will provide with each shipment of merchandise a certification identifying the factory where the merchandise was manufactured and confirming compliance with the standards set forth in this paragraph.

Each division of the Company should develop a system, appropriate to its operations, to monitor compliance with these requirements. Monitoring may appropriately be accomplished through factory visits by Company employees or agents and through periodic certifications of compliance as contemplated by the purchase order language. Vendors should be periodically reminded of this policy.

The JCPenney Supplier Legal Compliance Program

June 1996

Dear JCPenney Supplier:

A deep commitment to legal compliance and ethical business practices is firmly embedded in JCPenney's history and company culture.

Our commitment, in fact, is as old as the Company. When James Cash Penney founded the Company in 1902, he named his first store The Golden Rule Store. The name proclaimed his unique stance as a merchant: doing business by the high standard of the Golden Rule. His ideals were embodied in a set of core principles, known as The Penney Idea, that he and his partners adopted in 1913. They still govern the Company's practices today. His ideals also underlie the JCPenney Statement of Business Ethics, which has guided the day-today business conduct of our associates for the past two decades.

You have been selected as a JCPenney supplier, in part, because we believe that you share our commitment to legal compliance and ethical business practices. As a JCPenney supplier, you are required not only to honor that commitment in your dealings with us, but also to ensure that all your contractors do so as well. Our mutual commitment to this concept is confirmed in our contractual agreement.

In our continuing efforts to promote legal compliance and ethical business practices on the part of our suppliers and their contractors, we have developed this statement of our overall program for supplier legal compliance. Long-time JCPenney suppliers will see in this statement the same basic principles that have always defined our mutual understanding of such matters. We urge you to discuss our program at all appropriate levels of your company, to provide copies of it to all your contractors, and to make sure that all concerned fully understand what is required of them.

Thank you for your continued attention to these important matters.

Sincerely yours,

Thomas D. Hutchens
President of Merchandising Worldwide

OUR COMMITMENT TO OBEYING THE LAW

Throughout our more than 90-year history, JCPenney has been committed to legal compliance and ethical business practices in all our activities. JCPenney demands the same commitment from each of our thousands of suppliers.

OUR SUPPLIERS AND THEIR SELECTION

JCPenney is in the business of buying and selling merchandise. We do not manufacture the merchandise we sell. Instead, we depend upon independent suppliers.

Our suppliers number some 6,600 companies, which manufacture in more than 10,000 factories. Most of the merchandise they supply is manufactured in the United States, and many of the factories are located here, too. But we also receive merchandise manufactured in 80 countries around the world. JCPenney does not own or operate any of these factories, nor do we control their production capacity, which is available to other customers throughout the world.

In selecting suppliers, JCPenney tries to identify reputable companies that have the willingness and ability to conduct their business in conformity with all applicable legal requirements and ethical standards.

OUR CONTRACT REQUIREMENTS

JCPenney's purchase contracts explicitly require our suppliers to comply with all applicable laws and regulations, including those of the United States and those of any foreign country in which the merchandise is manufactured or from which it is exported. Our contracts also require all suppliers to impose the same obligation on their contractors.

A failure by a supplier, or by one of its contractors, to comply with all applicable legal requirements will violate JCPenney's contract with the supplier, giving us the right to cancel the contract and seek compensation for any resulting expense or loss. Moreover, serious or repeated violations of such requirements by our supplier or its contractors will result in termination of the supplier's business relationship with JCPenney.

LABOR LAW COMPLIANCE

JCPenney expects its suppliers to take extra care in ensuring that they and their contractors comply with applicable labor laws. We write our expectations into the contract. And we regularly remind them of this compliance obligation and their responsibility to ensure, through monitoring or other means, that the factories they use are meeting those obligations, too.

Based on these expectations, if we receive notice from the U.S. Department of Labor or any state or foreign government labor authority that a factory being used by a JCPenney supplier has violated applicable labor laws, we will direct the immediate suspension of all shipments of merchandise to JCPenney from that factory. Any resumption of shipments will be conditioned upon verification that the supplier has in place the monitoring programs necessary to ensure compliance with all applicable labor laws.

JCPenney will not accept merchandise produced in violation of the labor laws. We will not hesitate to discontinue our relationship with any supplier that we determine lacks either the will or the ability to meet our demands in this area.

FOREIGN SOURCING ISSUES

To address issues of particular concern in the foreign sourcing area, we have stated in our JCPenney Foreign Sourcing Requirements that we will not knowingly allow the importation into the United States of merchandise that:

Does not have accurate country-of-origin labeling;

Was manufactured with convict, forced, or indentured labor; or

Was manufactured with illegal child labor.

To emphasize the importance that JCPenney attaches to these issues, we require that our foreign suppliers and our U.S. suppliers of imported merchandise obtain - for each shipment of foreign-produced merchandise - a manufacturer's certificate that the merchandise was manufactured at a specified factory (which is identified by name, location, and country) and that neither convict, forced, or indentured labor or illegal child labor was employed in the manufacture of the merchandise.

SUPPLIER RESPONSIBILITY FOR FACTORY COMPLIANCE

JCPenney expects our suppliers to take all steps necessary to ensure legal compliance in the factories where they produce merchandise for JCPenney, whether the factories are operated by them or by their contractors. Such steps should include programs and procedures specifically designed to maintain labor law compliance in those factories.

Also, we have instructed our associates and buying agents, when they visit a supplier's or a contractors domestic or foreign facilities, to watch for and report any legal violations or questionable conduct to their management for follow-up and, when appropriate, corrective action.

OUR INVESTIGATIVE PROCEDURES

As soon as JCPenney discovers or learns of a potential or alleged legal violation by a supplier or its contractors, we will notify the supplier, fully investigate the situation, and, if we determine that the allegations are supported by credible evidence, take corrective action. If the supplier does not cooperate in the investigation, the result will be termination of our relationship with the supplier.

OUR POLICY FOR CONTRACT VIOLATIONS

If there is credible evidence indicating that one of our suppliers, or one of their contractors, is violating the legal compliance provisions of our contracts, JCPenney may take one of the following actions:

Suspend current business activity until the supplier or the contractor is in complete compliance and we are assured the supplier has taken the steps necessary to prevent future violations;

Cancel outstanding orders;

Prohibit the supplier's subsequent use of the violating factory; or

Terminate our relationship with the supplier.

OUR COOPERATION WITH LAW ENFORCEMENT AUTHORITIES

JCPenney has a long history of cooperating with law enforcement authorities in the proper execution of their duties. We expect our suppliers to show the same cooperation with those authorities.

OUR EDUCATION EFFORTS

JCPenney regularly communicates with our suppliers on legal compliance issues and supports industry and government efforts to provide guidance on such issues. We expect our suppliers to cooperate in such efforts and to take the steps necessary to ensure that their contractors are also fully informed.

OUR COMMITMENT IS FIRM

We believe our approach is balanced and fair. It has also been effective. Although our supplier base is large and changes often, we have found that our suppliers, both in the United States and in foreign countries, have largely honored their legal compliance and ethical commitments. Exceptions have been rare.

We are committed to doing business with suppliers and manufacturers who obey the law. As we pledged ourselves in The Penney Idea eight decades ago, we see this commitment as the only "right and just" thing to do.

JCPENNEY FOREIGN SOURCING REQUIREMENTS

SUPPLIER SELECTION. In selecting suppliers, JCPenney attempts to identify reputable companies that are committed to compliance with legal requirements relevant to the conduct of their business.

LEGAL REQUIREMENTS. JCPenney requires of its suppliers strict compliance with all contract provisions, as well as all applicable laws and regulations, including those of the United States and those of the countries of manufacture and exportation.

COUNTRY-OF-ORIGIN LABELING. JCPenney will not knowingly allow the importation into the United States of merchandise that does not have accurate country-of-origin labeling.

PRISON LABOR. JCPenney will not knowingly allow the importation into the United States of merchandise manufactured with convict labor, forced labor or indentured labor.

CHILD LABOR. JCPenney will not knowingly allow the importation into the United States of merchandise manufactured with illegal child labor.

MANUFACTURER'S CERTIFICATE. To emphasize its insistence on accurate country-of-origin labeling and its particular abhorrence of the use of prison labor and illegal child labor, JCPenney requires that its foreign suppliers and its U.S. suppliers of imported merchandise, for each shipment of foreign-produced merchandise, obtain a manufacturer's certificate that the merchandise was manufactured at a specified factory, identified by name, location and country, and that neither convict labor, forced labor or indentured labor, nor illegal child labor, was employed in the manufacture of the merchandise.

FACTORY VISITS. On visits to foreign factories, for any purpose, JCPenney associates and buying agents have been asked to be watchful for the apparent use of prison or forced labor, or illegal child labor, or, indications of inaccurate country-of-origin labeling, to take immediate responsive action when necessary and to report questionable conduct in these areas to their management for follow-up and, when appropriate, corrective action.

CORRECTIVE ACTION. If it is determined that a foreign factory utilized by a supplier for the manufacture of merchandise for JCPenney is in violation of these foreign sourcing requirements, JCPenney will take appropriate corrective actions, which may include cancellation of the affected order, prohibiting the supplier's subsequent use of the factory or terminating JCPenney's relationship with the supplier.

MANUFACTURER'S CERTIFICATE (JC Penney)

Country of origin/Prison Labor/Illegal Child Labor

As manufacturer of _____ of merchandise identified as
(Number and Units)

(Description)

and _____
(Lot Number(s))

under _____
(Purchase Contract Number)

we hereby certify that this merchandise was manufactured at

(Factory Name)

(Factory Location)

in _____
(Country of Origin)

and that neither convict labor and/or forced labor and/or indentured labor under penal sanctions, nor, to our knowledge, illegal child labor, was employed in the production or manufacture of the merchandise.

Name of Manufacturer _____ Signature _____

Date _____ Title _____

Kmart Corporation

A WORKPLACE CODE OF CONDUCT: HUMAN RIGHTS STANDARDS FOR KMART SUPPLIERS

KMART has a long tradition of working in partnership with reputable suppliers who share our commitment to human rights and ethical standards of conduct. Kmart customers depend on the quality and value of our products and the underlying integrity of the workplaces which produce them.

We are proud of our leadership in ensuring that Kmart suppliers worldwide follow progressive policies. Kmart will not permit the goods we sell to be the product of unacceptable working conditions.

To maintain our commitment to these principles, Kmart has established a *Workplace Code of Conduct*. We will require all Kmart suppliers and their subcontractors to adhere to this code of conduct as part of our contracting process. Kmart reserves the right to immediately terminate its relationship and to cancel all orders with any supplier that does not fully comply with these standards. The *Workplace Code of Conduct* requires suppliers (and the supplier's subcontractors) to:

PROVIDE A CLEAN, SAFE AND HEALTHY WORK ENVIRONMENT

Suppliers and their subcontractors must ensure that the workplace is in compliance with local health and safety laws and regulations and is clean and well-lit.

ENGAGE IN FAIR AND ETHICAL EMPLOYMENT PRACTICES

Child Labor: Suppliers and their subcontractors must comply with local child labor laws and regulations. Children under the local legal age will not be employed by the supplier.

Wages and Hours: The prevailing local wage and hour requirements must be met. Workers must be paid in accordance with local laws and regulations. Workers must be compensated at a rate at least equal to the prevailing local minimum wage, including piece rate workers.

Discrimination: Suppliers and their subcontractors must comply with local antidiscrimination laws and regulations.

Forced Labor: Every employee must be a voluntary worker. No employees can be made to work against their will or work as forced prison labor. All employees must be treated with respect and no employee will be subject to corporal punishment or coercion of any type.

**ALLOW FULL ACCESS TO FACILITIES AND RECORDS FOR COMPLIANCE
INSPECTIONS**

Suppliers and their subcontractors must make their facilities available at all times for inspections by Kmart representatives or independent inspection firms retained by Kmart. Kmart reserves the right to immediately terminate its relationship and to cancel all orders with any supplier that fails to permit access to the supplier's and/or its subcontractor's facilities or records for monitoring purposes.

This *Workplace Code of Conduct* makes clear Kmart's commitment to appropriate working conditions worldwide. We believe that suppliers who follow these standards will have a more productive workforce, one capable of meeting our customer's demand for high quality goods at a fair price. Kmart will work only with those suppliers who share our core values and will work with us to actively maintain these values in the global workplace.

The above terms and conditions will take effect upon date of receipt and will apply to all Kmart purchase orders issued on or after such date.

TO BE POSTED AT ALL KMART SUPPLIER FACILITIES

NOTICE TO ALL EMPLOYEES:

FOR ANY WAGE / HOUR COMPLAINTS PLEASE CONTACT CSCC 888/264-CSCC
(2722)

Principles of Ethics

Lowe's Companies, Inc. and Subsidiaries

Lowe's Companies has a solid reputation for honesty, social responsibility and ethical dealings. Every employee, including every officer and director, shares an obligation to protect and strengthen that good reputation in all relationships with customers, employees, suppliers, competitors, investors, and governmental agencies.

Each employee is engaged and compensated by the Company for the conscientious performance of assigned functions and work. Such duties involve business relationships with individuals both inside and outside the Company, and with other companies and organizations. Therefore, the employee should act (1) in accordance with the law, (2) with full consideration of the Company's rights, interests and ethical responsibilities, (3) to protect his own good reputation and also that of the company, and (4) to scrupulously avoid transactions or situations in which his own interests conflict or could be construed to conflict with those of the company.

Matters of honesty and fairness are not always clearly defined nor easy to decide for oneself. The simplest and perhaps the best advice, when in doubt about a matter, is to discuss it with your manager or supervisor before it becomes a problem. Full early disclosure can prevent potential problems.

The Company respects the rights of all employees to engage in and carry on all activities outside the Company which are (1) legal, (2) do not interfere with the performance of assigned duties, (3) do not involve misuse of Company influence or assets, and (4) do not involve risk to the Company's good reputation.

These standards of and procedures for ethical business behavior have always been an integral part of Lowe's desired business practice and we herein unequivocally reaffirm Lowe's commitment to the highest principles of business conduct.

Robert L. Tillman
President & Chief Executive Officer

Robert L. Strickland
Chairman of the Board

Code of Ethics

Lowe's Companies, Inc. and Subsidiaries

INTRODUCTION

Lowe's is in the business of providing the products to help our customers build and improve their homes. In order to attain our goal of being the first choice store for these products, customer service must be the highest priority for every Lowe's employee. The following sections of this Code are practical guidelines to the business conduct and personal attitude expected in providing this customer service and in all of our corporate activities.

This Code of Ethics applies to every employee and director (hereafter referred to collectively as employees) of Lowe's. Therefore, if you are a member of Lowe's management team, it applies to you as well as those you supervise. You should read, review and understand these standards, because as a Lowe's employee, your acceptance of these standards is expected. If objections, possible conflicts, or disagreements with this Code arise, it is important that you resolve them promptly as stated herein.

A. COMPLIANCE WITH LAWS AND REGULATIONS

Lowe's values its corporate reputation for complying with all applicable laws and regulations in the conduct of its business. Therefore, every employee, while acting on behalf of the Company, shall comply with all applicable laws and regulations. Lowe's will utilize and fully cooperate with law enforcement authorities in the prosecution of anyone (employee or non-employee) involved in theft or any other illegal activity.

1. All products sold by the Company, will comply with all safety standards set by law. It is Lowe's policy not knowingly to sell any defective product and to minimize to the extent possible any hazards from products that inherently entail some risks.
2. All advertising to the public regarding our merchandise, service, and pricing is legally required to be true and not deceptive in any manner. Advertising is a primary means of regularly exposing our products to potential customers and it must be accurate.
3. Lowe's will comply with all applicable environmental laws and regulations and maintain programs and procedures to achieve an awareness of employee environmental responsibilities. In addition, all employees should constantly be sensitive to environmental issues impacted by their activities. They should strive to preserve or increase the quality of the environment.
4. The Company and all employees will comply with all computer software copyright laws. The use of computer software on PC's or other computers by employees in any manner not specifically authorized by vendor agreement and Company policy is prohibited.

5. It is corporate policy that Lowe's only purchase products and services from vendors whose labor force is made up of employees with a minimum age of no less than 16 years, and that its vendors' or suppliers' labor in producing the goods is not furnished, wholly or in part, by convicts or prisoners, except convicts or prisoners on parole, supervised release, or probation, or in any penal or reformatory institution. All vendors and suppliers are expected to comply with all applicable laws and regulations in the production of goods and services for Lowe's and in the conduct of their business with Lowe's.

B. CONFLICTS OF INTEREST

All employees are expected to be honest and act in good faith, and to conduct themselves in such a manner to avoid any situation in which his or her interest, or the interest of his or her immediate family, might adversely affect the best interests of the Company. For this purpose, immediate family includes parents, children, spouses, and any other relative that resides with the employee.

1. Commercial bribery is illegal and the payment or receipt of any business-related bribe or inducement is prohibited. No employee or any member of his immediate family shall directly or indirectly accept currency, gifts, services, entertainment, trips, or other payments from any person or outside concern that does or seeks to do business with Lowe's or is its competitor. While no list can possibly cover every situation or circumstance, the following paragraphs further define prohibited acts under this policy:
 - a. Gifts or other payments include the receipt of currency, loans, merchandise (including samples), personal items, Christmas gifts, services, expense paid travel, lodging, or any other consideration upon which a value of any amount can be placed. Also included are promotional items even of a nominal value.
 - b. The acceptance of any expense paid travel, meals, or entertainment is prohibited, whether to or at a vendor location or in any other setting, even in conjunction with conducting business negotiations or discussions. Lowe's employees must always pay their own portion of any travel (except incidental local vehicle travel), meals, or entertainment charges. These charges will be reimbursed to the employee by Lowe's if a proper business reason is justified and appropriately approved.
 - c. Golf outings, attendance at sporting events, and other social activities with suppliers and potential suppliers of merchandise or services are generally discouraged; but if considered necessary, Lowe's employees must always pay their own portion of any and all costs. Only if a proper business reason is justified and appropriately approved will the costs be reimbursed to the employee by Lowe's. If there is a value in excess of the actual cost of attendance, such as limited access or exclusive tickets, the employee should decline to participate.

- d. Attendance at vendor or industry seminars, conventions, conferences, or trade shows is acceptable (if justified for business purposes and appropriately approved) if Lowe's pays the employees' costs. Approved participation costs would normally include all activities on the agenda that are open to all attendees (such as sponsored breaks or receptions). However, specific entertainment of Lowe's employees or a group including Lowe's employees by suppliers, or potential suppliers, is prohibited unless Lowe's employees pay their portion of the costs. Employees are responsible for keeping documentation to support their payment of all such costs.
- e. Notwithstanding b, c, and d above, Lowe's sponsored meetings (such as training sessions or builder promotions) that are partially or wholly funded by vendors are acceptable as long as authorized Lowe's personnel are managing the expenses.
- f. Merchandise samples provided by suppliers, or potential suppliers, whether solicited or unsolicited, are considered Lowe's property upon receipt. After appropriate evaluation, they must be returned to the supplier or given to the Company for appropriate disposition under Company procedure.
- g. The acceptance of materials at a cost of less than normal Lowe's employee discount from suppliers or their representatives by employees is prohibited unless it is in accordance with a corporately approved program available to all Lowe's employees.
- h. Only prizes, including door prizes, from bona fide contests sponsored by Lowe's or sanctioned by the Company may be accepted. All other prizes, including vendor raffles, are considered gratuities and if accepted would be in violation of this policy.
- i. Under no circumstances will it be permissible to exchange a gift or service for an item from store stock.
- j. If any employee receives a gift or anything else of value from a supplier or potential supplier, it should be immediately returned. If it is not practical to return the item, the donor should be informed of the Company policy and the gift will be turned over to the Company. Appropriate Company procedures will be followed for the disposition of these items.
- k. Any employee who knows or has reasonable cause to suspect another employee of any conflicts of interest or other violations of this Code of Ethics is expected to inform his or her supervisor and/ or the Internal Audit Department for investigation. Failure to do this will be considered a violation of the Code of Ethics by that employee and will be subject to appropriate disciplinary action up to and including termination. All employees are expected to fully cooperate with all investigations regarding this Code of Ethics.

2. The following are other types of activities by an employee or family member that might cause, or appear to cause, a conflict of interest. It is recognized that all possible circumstances cannot be covered by these rules. Therefore, the ones listed below are not to be considered all inclusive, but as examples.
 - a. Any material interest (financial or otherwise) in, or relationship with any organization that is a customer, supplier of merchandise or services, or a competitor of the Company. Although materiality may depend on the individual circumstances, an interest would be considered material if it involves more than 5 % of the employee or family member's net worth, or represents a significant (more than 5%) ownership or control of the other organization.
 - b. Providing managerial or consultation services or serving as a director to any outside concern that does business with the Company or is in a competing business, except with the President's or Board of Directors' prior knowledge and approval.
 - c. Representation of the Company by an employee in any transaction with another organization in which the employee or a family member has a substantial personal interest (as defined above).
 - d. Purchasing or obtaining merchandise from the Company, regardless of condition, for the purpose of resale.
 - e. Acceptance of loans from any person or entity having or seeking business with the Company except recognized financial institutions at normal interest rates.
 - f. Vendors and other suppliers will be periodically advised of this policy by the Company in order to avoid their offering gratuities in violation of this policy.

C. CUSTOMERS AND SUPPLIERS

Business relationships with customers and suppliers of goods and services shall emphasize a continuing business purpose of mutual benefit which is driven by lowering the costs from production by the vendor to use by the customer. Lowe's will discharge its obligations to its customers and suppliers in a manner which reflects a strong sensitivity and concern for social responsibility and ethical dealings, and will maintain its solid reputation for honesty and fairness in all transactions. Every employee shares an obligation to protect and strengthen our good reputation in all relationships with customers and suppliers.

1. No bribe, payoff, kickback or other payment for any questionable, improper, or illegal purpose shall be made by or on behalf of the Company, directly or indirectly, regardless of motive, to or for the benefit of any customer, supplier, developer, or employee thereof.

2. Social amenities, reasonable entertainment, and other courtesies within Company policy may be extended to customers, suppliers, or employees thereof. Expensive gifts or lavish entertainment shall not be offered or furnished to any customer, supplier, or employee thereof.
3. No customer shall be billed for any amount in excess of the actual selling price of the goods or services. No part of the purchase price shall be rebated to a customer except in accordance with approved Company plans and programs. Appropriate credit will be given for the value of all merchandise returned by customers.
4. All sales by the Company shall be billed directly to the purchaser by written invoice setting forth, in sufficient detail, the goods and services involved and the amounts owed by the customer.
5. All purchases of goods or services by or on behalf of the Company shall be effected by minimizing the cost for the value received and shall be supported by documentation reflecting the actual purpose and amount of the payment.
6. All payments by or on behalf of the Company, including fees or commissions paid to attorneys, consultants, advisors, dealers, agents, or other representatives, shall be made by Company check, draft, wire transfer, electronic fund transfer, or other document transfer, drawn to the order of the party entitled thereto and supported by documentation reflecting the actual purpose.

D. CONFIDENTIAL INFORMATION

Lowe's has always worked diligently to communicate accurately and on a timely basis with our shareholders, investment professionals, and other members of the public. The disclosure of information about Lowe's is governed by law. These laws confer on Lowe's a fundamental obligation to make available a timely flow of information to all members of the public, with equal access. This legal obligation is consistent with our own goal of maintaining the trust and confidence of the investing public.

1. Lowe's financial information regarding the Company as a whole or any store or part of the Company is always considered confidential unless it has been published in reports to our shareholders or otherwise publicly disseminated. This and any other confidential information must be treated with proper security at all times. No one may release such confidential information to outsiders without the approval of the President or Chairman of the Board.
2. All terminated employees must return all written material (including computerized data) prepared by, or for, the Company to their immediate supervisor before being released from our employment.

E. INSIDER TRADING

In the course of operating the Company's business, directors, corporate officers, operating officers and employees frequently use or have access to financial information, operating results, and Company plans which have not been made public. This is especially true of employees working at the General Office, where such information is collected, assembled, and analyzed. This information may be "material," and federal securities laws prohibit persons having possession of "material" non-public information from trading in the Company's Common Stock and prohibit providing that non-public information to others, such as family.

A fact is "material" if there is a substantial likelihood that a reasonable investor would consider it important in determining to buy or sell securities. Information concerning periodic financial results possessed by a person prior to being publicly distributed is nearly always "material."

As a practical matter, the federal securities laws require that a person possessing material inside information either disclose the information to the person on the other side of the trade or refrain from engaging in transactions in the securities. Since the unauthorized disclosure of material inside information concerning Lowe's business is prohibited (see Section D above), any employee possessing material inside information should refrain from trading in Lowe's securities until the information has been publicly distributed.

The following rules govern trading in Lowe's securities:

1. Window for Trading: Directors, officers, Regional and District personnel, and General Office employees may not purchase or sell Lowe's Common Stock or trade options on Lowe's stock, except during the 15 business day period commencing on the third business day following public announcement of the Company's annual or quarterly financial results. **Even during this period material information may be available or become available to Company personnel, and not yet be publicly disclosed, which would prohibit trading in Company stock.** These restrictions also apply to purchasing or selling stock through publicly traded options, the Sharebuilder Stock Purchase Plan, ESIP accounts, or ESOP diversification option. This policy is intended to assure that insiders do not violate federal securities laws, to insure the continued confidence of investors in Lowe's stock, and to avoid any appearance of impropriety.

2. Employee Benefit Plans Diversifications: An investment in Lowe's Common Stock, just as employment with Lowe's, should be viewed as a long-term commitment. To discourage short-term trading, officers, Regional and District personnel, and General Office employees may only exercise decisions to participate, discontinue participation, or change levels of participation in the Sharebuilder Stock Purchase Plan, ESIP account, or ESOP (diversification option) when the change involves Lowe's Common Stock during the 15 business day trading window. During any particular window period, the participation or diversification option may be exercised on either the buy

side or the sell side, but not both, and thus may not involve both buying and selling Lowe's stock in the same window period. Investment diversification options not involving Lowe's Common Stock may be made at any time, but if the diversification election involves either the purchase or sale of Lowe's Common Stock, it must be done during the 15 business day trading window.

3. Short Sales: Lowe's trading policy prohibits any director, officer, or Regional, District, or General Office employee from selling Lowe's Common Stock if the seller does not then own the Common Stock or if he fails to deliver the Common Stock within 20 days after the sale or fails to mail them for clearing within five days after the sale. The transactions which this policy prohibit are "short sales" and "sales against the box." In a "short sale," the seller attempts to profit from an anticipated drop in a market price by selling securities he does not then own and covering the sale with securities bought after the decline. A sale "against the box" is a hedging device in which the seller owns the securities in question but can cover this sale with other securities bought during the price decline while holding securities already owned "in the box" for long-term gain. It is contrary to an employee's obligation of loyalty to Lowe's to engage in "short sales" or sales "against the box."

Paragraph E(1) on page 7 of the Code of Ethics is amended to add the following sentence: "Employees subject to this policy may make multiple buys or multiple sales during a window period, but may not both buy and sell (directly or indirectly) in the same window period."

4. Six-Month Trading Rule: Directors and officers meeting the definition of "executive officer" must additionally comply with Section 16 of the Securities Exchange Act. These executive officers are designated by the Board of Directors. Executive officers and directors are liable to the Company for short-swing profits resurging from any combination of purchase and sale of Lowe's stock within a period of less than six months. Additional details are available to directors and executive officers in Lowe's Policy Statement on insider trading.

F. PERSONAL INVESTMENTS

Just as Lowe's reputation rests in part on intelligent management of its business, all employees are expected to manage their personal finances in an intelligent and prudent way. Financial activities that would reflect adversely on Lowe's should be avoided. Like other individuals, employees may make personal investments in corporate stocks, bonds, real estate, partnerships, money market instruments, or other securities, including Lowe's Common Stock (see Section E). Employees should not invest in securities, enterprises, or other activities of customers and suppliers that are not available to the public, unless prior written approval is obtained from the President or Chairman of the Board.

Certain officers and management employees may be periodically requested to provide personal financial information to the Company, and their complete compliance is expected.

G. POLITICAL CONTRIBUTIONS

No employee shall on the Company's behalf or on Company time or premises solicit contributions for any political party, organization or committee or any candidate for public office, except in connection with a solicitation on behalf of any political action committee, established by the Company, or other solicitation approved by the President or the Chairman of the Board of Directors. No employee shall use coercion of any kind in connection with any permissible solicitation. No employee shall use Company funds or property in support of any political party, organization or committee, or any candidate for public office unless this is permitted by law and approved by the President or the Chairman of the Board of Directors.

H. GOVERNMENTAL OFFICIALS AND AGENCIES

Governmental officials include elected or appointed officials of any foreign or domestic federal, state, county, municipal or other political subdivision, agencies thereof, and their families and employees.

1. No bribe, payoff, kickback, or other payment of any questionable, improper, or illegal purpose shall be made by or on behalf of the Company, directly or indirectly, regardless of motive, to or for the benefit of any governmental agency, officials, or their families or employees.
2. No Company funds or assets of any type shall be paid, loaned, given, or otherwise transferred to or for the benefit of any governmental agency or official, and no transaction by or on behalf of the Company shall be entered into with or for the benefit of any governmental agency or official, except for a legitimate business purpose, in accordance with applicable law and customs and in compliance with the following policies and procedures:
 - a. No government official shall be retained or otherwise compensated by or on behalf of the Company to perform services related to a matter within the scope of that person's official functions or the duties and responsibilities of the governmental body by which that person is employed, to include that person to fail to perform or to perform incorrectly that person's official functions, to assist in obtaining or retaining governmental business or to influence legislation or regulations.
 - b. Social amenities, reasonable entertainment, and other courtesies within Company policy may be extended to governmental officials only to the extent customary and proper in the jurisdiction in which offered. Expensive gifts or lavish entertainment shall not be offered or furnished to any governmental official.

I. BOOKS AND RECORDS

The integrity of the Company's accounting is based on the validity, accuracy, and completeness of supporting documents and original entries in the Company's books and records.

1. All transaction affecting the Company, directly or indirectly, shall be recorded on and documented properly and accurately in the Company's books and records in accordance with the Company's policies and procedures.
2. All accounts established and maintained by or for the benefit of the Company shall be recorded on and documented properly and accurately in the Company's books and records in accordance with the Company's policies and procedures.
3. In accordance with the Company's policies and procedures, all cash and cash equivalents received by or on behalf of the Company shall be promptly recorded on the Company's books and records and, except cash or cash equivalents required for normal business operations, shall be deposited with or maintained by a bank or other institution.
4. Each employee of the Company involved in creating, processing, or recording accounting information affecting the Company shall be held responsible for its integrity.
5. Compliance with generally accepted accounting principles and the Company's internal accounting controls, policies, and procedures are required.
6. No false or intentionally misleading entries shall be made in the Company's books and records or in connection with any documentation relating thereto.
7. No Company fund or asset that is not disclosed or recorded shall be established or maintained, directly or indirectly, for any purpose.
8. Complete and accurate information shall be given in response to inquiries from any of the Company's accounting functions, the Legal Department, the Internal Audit Department, and the Company's outside independent auditors.

J. EMPLOYEE RELATIONS

We, as management, must realize, accept and promote the Company's policy in regard to employee relations. We have a legal and moral obligation to adhere to the employment policies and practices of non-discrimination as it relates to sex, race, color, religion, natural origin, age, or handicap.

1. All employees are expected to conduct themselves in such a manner as to maintain a working environment free of discrimination of any kind, including sexual or racial harassment.
2. All of us, particularly management, must respect and preserve the individual rights and dignity of every Lowe's employee.

K. COMPLIANCE WITH THIS CODE

Any employee of the Company having information or knowledge of any actual or contemplated transaction that appears to violate this Code shall promptly inform his or her supervisor and report the matter to the Internal Audit Department.

1. The Internal Audit Department, as part of its regular procedures, shall assess compliance with the Code. Any matters discovered by the Internal Audit Department that appear to violate this Code shall be investigated and serious violations will be reported to the Audit Committee of the Board of Directors, the President, and the Legal Department.
2. The Company's outside independent auditors shall report in writing to the Internal Audit Department and Audit Committee any matter discovered during their examination of the Company's financial statements that appear to violate this Code. They shall also review periodically the procedures and controls instituted by the Company and recommend any additional procedures or controls they believe may be necessary or appropriate.
3. The Legal Department shall report to management and to the Internal Audit Department each confirmed violation of this Code and any approvals granted under or reports provided pursuant to this Code of which it has knowledge.
4. All management employees (and those non-management employees designated by senior management ' ') shall be required at least annually to affirm, to the best of their knowledge, that they have complied with this Code and have no knowledge of any violation not previously reported. Employees may also be required to submit detailed information on any business interest in which they or their immediate family are involved.
5. The failure of any employee of the Company to comply with this Code will result in disciplinary action which, depending on the seriousness of the matter, may include reprimand, probation, suspension, demotion or dismissal, and possible civil or criminal action including reporting the unethical behavior to the appropriate authorities. Disciplinary measures will apply to supervisors and senior executives who condone questionable, improper, or illegal conduct by those employees reporting to them or who fail to take appropriate corrective action when such matters are brought to their attention, or who allow unethical or illegal conduct to occur because of their inattention to supervisory responsibilities.

L. PROCEDURES FOR INQUIRIES

The above Code provides a framework to guide employees in their day-to-day conduct. However, it is not possible to cover the infinite variety of situations to which the above policies apply. Therefore, employees may from time to time encounter situations that require policy interpretation, and they should not proceed with any questionable activities until proper clarification is received. Any questions regarding

the interpretation of laws or regulations as they apply to the operations of the Company should be referred to Senior Corporate Counsel in the Legal Department. Any questions regarding this Code should be referred to the Vice President of Internal Audit or Senior Corporate Counsel. While the Company wishes to preserve the privacy of our employees and their rights to conduct their personal affairs without interference, a full and timely disclosure of facts in any questionable situation can usually avoid problems.

The May Department Stores Company
[DOMESTIC AND INTERNATIONAL PRIVATE LABEL VENDORS]

[Name and Address of Vendor]

Re: The May Department Stores Company Vendor Responsibility Program

Dear Sir or Madam,

The May Department Stores Company, May Merchandising, Company and May Department Stores

International, Inc. (hereinafter together referred to as "May") are very concerned with any violation of labor laws, including the use of child labor, and the use of prison, convict, forced or indentured labor. May takes such violations very seriously and will not do business with any vendor who violates applicable labor laws.

It is May's policy to do business only with those vendors who comply with all applicable labor, safety and health laws, codes, rules, and regulations, including laws relating to the employment of children. It is also May's policy to do business only with vendors who refrain from using, prison, convict, forced or indentured labor. All of our orders are subject to our policies, and to insure adherence to our policies, our purchase orders contain the following statement on their face:

By providing merchandise pursuant to this purchase order, Vendor certifies to The May Department Stores Company and warrants that: (1) the employment practices of Vendor and Vendor's third party contractor(s) conform with all applicable labor, safety and health laws, codes, rules, and regulations, including laws relating to the employment of children, and (2) Vendor and Vendor's third party contractor(s) are not using prison, convict, forced or indentured labor.

May's policies also require that we inspect the production facilities of private label vendors before we place our initial order and at least once during each following calendar year that orders are placed with the private label vendor. Therefore, we will be contacting you to request the location(s)/address(es) of each of the facilities in which you (and any third party contractor(s) hired by you) produce private label goods for May or any of our divisions or subsidiaries. Any failure to provide this information may prevent us from doing business with you.

This letter is being sent to all private label vendors and is not meant to imply that you are or may be involved in any violations of applicable labor laws, including child labor laws. However, you should be aware that failure to operate your business in a manner that accords with May's policies and standards as set forth above and on the face of our purchase orders will prohibit us from continuing to do business.

Very truly yours,

Anthony J. Torcasio
President/CEO, May Merchandising Company

The May Department Stores Company

Vendor Responsibility Program

POLICY STATEMENT

The May Department Stores Company, May Merchandising, Company and May Department Stores International, Inc. (hereinafter collectively referred to as “May”) have developed a Vendor Responsibility Program which requires all vendors, including each vendor of May’s private label merchandise and each vendor of brand name merchandise, to meet certain standards with respect to the manner in which they conduct their business. May’s standards require all vendors to (1) comply with all applicable labor laws, codes, rules, regulations and ordinances, including those relating to child labor, (2) refrain from using prison, convict, forced or indentured labor, and (3) comply with all applicable safety and health laws, codes, rules, regulations and ordinances. The Program applies to all vendors supplying goods to May for retail sale in its stores, including those of its divisions and subsidiaries.

May will incorporate the Program on a company-wide basis by taking the following measures:

- A) Notifications. Annually, May will send each vendor with whom it is then doing business a letter setting forth May’s policies and standards regarding (i) compliance with applicable labor, safety and health laws, codes, rules, regulations and ordinances and (ii) prohibitions on the use of prison, convict, forced or indentured labor. In addition, each new vendor will receive a similar letter at the time May’s business relationship with the vendor is established.
- B) Purchase Orders. By specific language on the face of each purchase order, May will require that each vendor certify and warrant that it and all of its third party contractors comply with all labor laws, codes, rules, regulations and ordinances, as applicable, including those relating to children, and are not using prison, convict, forced or indentured labor.
- C) Inspections. May will inspect the production facilities of each private label vendor before merchandise is initially ordered and at least once during each following calendar year that orders are placed with the private label vendor. During the inspections, inspectors will look for any suspected labor law violations, including the illegal use of child labor, or the use of prison, convict, forced or indentured labor. The inspector’s vendor evaluation report will indicate whether the inspector observed any violation of applicable labor laws, codes, rules or regulations or of May’s policies and standards. If it is determined that any vendor has violated labor laws or has used prison, convict, forced or indentured labor, May will demand that the vendor immediately and permanently cease such activity, and May will retain the right to

cancel any and all orders and will not do further business with such vendor until such time as May has assurance that the vendor is complying with May's requirements.

- D) Other Measures. May will also participate from time to time in educational efforts by state and national retail associations on labor, safety and health laws to increase awareness of May's policies and standards.
- E) Consequences of Failure to Comply. May will take appropriate action with respect to any vendor who fails to comply with May's policies and standards.

NIKE Code of Conduct

NIKE Inc. was founded on a handshake.

Implicit in that act was the determination that we would build our business with all of our partners based on trust, teamwork, honesty and mutual respect. We expect all of our business partners to operate on the same principles.

At the core of the NIKE corporate ethic is the belief that we are a company comprised of many different kinds of people, appreciating individual diversity, and dedicated to equal opportunity for each individual.

NIKE designs, manufactures and markets products for sports and fitness consumers. At every step in that process, we are driven to do not only what is required, but what is expected of a leader. We expect our business partners to do the same. Specifically, NIKE seeks partners that share our commitment to the promotion of best practices and continuous improvement in:

1. Occupational health and safety, compensation, hours of work and benefits.
2. Minimizing our impact on the environment.
3. Management practices that recognize the dignity of the individual, the rights of free association and collective bargaining, and the right to a workplace free of harassment, abuse or corporal punishment.
4. The principle that decisions on hiring, salary, benefits, advancement, termination or retirement are based solely on the ability of an individual to do the job.

Wherever NIKE operates around the globe, we are guided by this Code of Conduct. We bind our business partners to these principles. While these principles establish the spirit of our partnerships, we also bind these partners to specific standards of conduct. These are set forth below:

1. **Forced Labor** (Contractor) certifies that it does not use any forced labor — prison, indentured, bonded or otherwise.
2. **Child Labor** (Contractor) certifies it does not employ any person under the age of 15 (or 14 where the law of the country of manufacturing allows), or the age at which compulsory schooling has ended, whichever is greater.
3. **Compensation** (Contractor) certifies that it pays at least the minimum wage, or the prevailing industry wage, whichever is higher.
4. **Benefits** (Contractor) certifies that it complies with all provisions for legally mandated benefits, including but not limited to housing; meals; transportation and other allowances; health care; child care; sick leave; emergency leave; pregnancy and menstrual leave; vacation, religious, bereavement and

holiday leave; and contributions for social security, life, health, worker's compensation and other insurance.

5. **Hours of Work/Overtime** (Contractor) certifies that it complies with legally mandated work hours; uses overtime only when employees are fully compensated according to local law; informs the employee at the time of hiring if mandatory overtime is a condition of employment; and, on a regularly scheduled basis, provides one day off in seven, and requires no more than 60 hours of work per week, or complies with local limits if they are lower.
6. **Health and Safety** (Contractor) certifies that it has written health and safety guidelines, including those applying to employee residential facilities, where applicable; and that it has agreed in writing to comply with NIKE's factory/vendor health and safety standards.
7. **Environment** (Contractor) certifies that it complies with applicable country environmental regulations; and that it has agreed in writing to comply with NIKE's specific vendor/factory environmental policies and procedures, which are based on the concept of continuous improvement in processes and programs to reduce the impact on the environment.
8. **Documentation and Inspection** (Contractor) agrees to maintain on file such documentation as may be needed to demonstrate compliance with this Code of Conduct, and further agrees to make these documents available for NIKE or its designated auditor's inspection upon request.

Nine West Group Inc., Sourcing Partners Code of Conduct

Nine West Group Inc. (“Nine West”) is concerned about the practices of its sourcing partners in countries where it sources its products. Accordingly, Nine West has developed this Code of Conduct with respect to issues which are substantially controllable by our sourcing partners. “Sourcing Partners” is defined as contractors, subcontractors and suppliers who provide labor and/or materials utilized in the manufacturing of Nine West products.

1. Environmental Guidelines

Nine West will only do business with Sourcing Partners who share our commitment to the environment. Contractors, subcontractors and suppliers must comply with all applicable environmental regulations in their country.

2. Ethical Guidelines

Nine West will seek to identify and utilize Sourcing Partners who aspire in the conduct of their businesses to a set of ethical standards compatible with its own.

3. Health and Safety guidelines

Nine West will only utilize Sourcing Partners who provide workers with a safe and healthy working environment. Sourcing Partners who provide residential facilities for their workers must provide safe and healthy facilities.

4. Legal guidelines

Nine West expects Sourcing Partners to be generally law abiding and to comply with legal requirements in their countries relative to the conduct of their businesses.

5. Employment guidelines

Nine West will only do business with Sourcing Partners whose workers are in all cases employed voluntarily, not put at risk of physical harm, fairly compensated, allowed the right of free association and not exploited in any way.

The following specific guidelines will be utilized to interpret the above employment guidelines:

A. Wages and Benefits

Nine West will only do business with Sourcing Partners who provide wages and benefits that comply with applicable law or, if no such law exists, at a minimum of the prevailing local manufacturing or finishing industry practices. Nine West will

also favor Sourcing Partners who share our commitment to contribute to the betterment of community conditions.

B. Working hours

While permitting flexibility in scheduling, Nine West will identify prevailing or legally mandated local work hours and seek Sourcing Partners who do not exceed these terms except for appropriately compensated overtime. Nine West favors Sourcing Partners who utilize less than 60-hour work weeks and will not use contractors, subcontractors or suppliers who, on a regularly scheduled basis, require in excess of a 60-hour week. Employees should be allowed a minimum of one day off in seven.

C. Child Labor

Nine West will not do business with contractors, subcontractors or suppliers who use child labor. A child is defined as less than fourteen years of age.

D. Prison labor/forced labor

Nine West will not knowingly utilize prison or forced labor in contracting or subcontracting manufacturing relationships or purchase materials from Sourcing Partners utilizing prison or forced labor.

E. Discrimination

While we recognize and respect cultural differences, Nine West believes that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will favor Sourcing Partners who share this value.

F. Disciplinary practices

Nine West will not utilize Sourcing Partners who use corporal punishment or other forms of mental or physical coercion.

Oriental Rug Importers Association

(Submitted by Masterlooms, Inc.)

We anticipate that you as our manufacturer shall take every reasonable step to ensure, to the maximum extent possible, that the floor covering you export to _____ be free from the use of illegal child labor. The definition of “illegal” child labor is clearly spelled out in existing laws of your country. We urge you to aggressively abide by these laws in order to help our company meet its own commitment to import only goods free from the use of such illegal child labor.

Payless ShoeSource, Inc.

STATEMENT OF BUSINESS PRINCIPLES

Payless ShoeSource, Inc. deeply values its corporate reputation and customer good will. We are committed to working in partnership with our suppliers and vendors towards the following goals and principles:

1. Our fundamental commitment is to supplying our customers with quality footwear at a good value.
2. We are committed to adhering to the highest standards of ethics and integrity in our relations with our suppliers, and expect them to do the same in their dealings with us.
3. We expect our suppliers to treat their workers and employees with dignity and respect.
4. We will not tolerate any use of prison, convict, forced, indentured, or child labor by any Supplier.
5. We do not condone discrimination or abuse on the basis of race, gender, national origin, or religion.
6. We expect our suppliers to demonstrate respect for the environment.
7. Our policy is to work with suppliers who share our commitment to these principles.
8. We require that this statement of Business Principles be posted prominently in all the factories we buy from worldwide.

Pentland Sports Group (Mitre)

GROUP HUMAN RIGHTS POLICY

(Approved by the Board 8th March 1996)

The Board of Directors of Pentlands Group plc ("Pentlands") believes it is an obligation of business to pursue its activities without impairing the human rights of any workers.

The policy of Pentlands is, therefore, to comply with all relevant legislation in each country in which we operate, and in so doing to strive to match the best practices in the country concerned.

Group companies will do business only with suppliers which they believe similarly respect the human rights of their employees and in turn require the same standards from organisations which supply them.

Reebok

HUMAN RIGHTS PRODUCTION STANDARDS

A COMMITMENT TO HUMAN RIGHTS

Reebok's devotion to human rights worldwide is a hallmark of our corporate culture. As a corporation in an ever-more global economy, we will not be indifferent to the standards of our business partners around the world.

We believe that the incorporation of internationally recognized human rights standards into our business practice improves worker morale and results in a higher quality working environment and higher quality products.

In developing this policy, we have sought to use standards that are fair, that are appropriate to diverse cultures and that encourage workers to take pride in their work.

NON-DISCRIMINATION

Reebok will seek business partners that do not discriminate in hiring and employment practices on grounds of race, color, national origin, gender, religion, or political or other opinion.

WORKING HOURS/OVERTIME

Reebok will seek business partners who do not require more than 60 hour work weeks on a regularly scheduled basis, except for appropriately compensated overtime in compliance with local laws, and we will favor business partners who use 48 hour work weeks as their maximum normal requirement.

FORCED OR COMPULSORY LABOR

Reebok will not work with business partners that use forced or other compulsory labor, including labor that is required as a means of political coercion or as a punishment for holding or for peacefully expressing political views, in the manufacture of its products, Reebok will not purchase materials that were produced by forced prison or other compulsory labor and will terminate business relationships with any sources found to utilize such labor.

FAIR WAGES

Reebok will seek business partners who share our commitment to the betterment of wage and benefit levels that address the basic needs of workers and their families so far as possible and appropriate in light of national practices and conditions. Reebok will not select business partners that pay less than the minimum wage required by local law or that pay less than prevailing local industry practices (which ever is higher).

CHILD LABOR

Reebok will not work with business partners that use child labor. The term "child" generally refers to a person who is less than 14 years of age, or younger than the age for completing compulsory education if that age is higher than 14. In countries where the law defines "child" to include individuals who are older than 14, Reebok will apply that definition.

FREEDOM OF ASSOCIATION

Reebok will seek business partners that share its commitment to the rights of employees to establish and join organizations of their own choosing. Reebok will seek to assure that no employee is penalized because of his or her non-violent exercise of this right. Reebok recognizes and respects the right of all employees to organize and bargain collectively.

SAFE AND HEALTHY WORK ENVIRONMENT

Reebok will seek business partners that strive to assure employees a safe and healthy workplace and that do not expose workers to hazardous conditions.

Reebok will apply the Reebok Human Rights Production Standards in our selection of business partners. Reebok will seek compliance with these standards by our contractors, subcontractors, suppliers and other business partners.

To assure proper implementation of this policy, Reebok will seek business partners that allow Reebok full knowledge of the production facilities used and will undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor these standards.

Reebok takes strong objection to the use of force to suppress any of these standards and will take any such actions into account when evaluating facility compliance with these standards.

The Stride Rite Corporation

VENDOR TERMS OF ENGAGEMENT

The Stride Rite Corporation has a heritage of conducting business in a manner that reflects its values. As we expand our sourcing base to more diverse cultures and countries, we must take special care in selecting vendor partners whose practices are compatible with the accepted standards of the country of manufacture. Otherwise, our sourcing decisions have the potential of undermining this heritage, damaging the image of our brands and threatening our commercial success.

These Terms of Engagement address issues which are substantially controllable by our individual vendor partners. We seek vendor partners who in the conduct of their business aspire to a set of ethical standards not incompatible with our own. We have defined “vendor partners” as unrelated third party contractors and suppliers and their subcontractors who provide labor and/or materials utilized in the manufacture and finishing of our products.

Stride Rite requires conformity from its Vendor Partners with the following standards and reserves the right to make periodic unannounced inspections of Vendor facilities to satisfy itself of its Vendor Partner’s compliance with these standards.

1. COMPLIANCE WITH APPLICABLE LAWS

We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of their business including but not limited to tax laws, customs laws, currency control regulations, avoidance of illicit payments and criminal conduct. All Vendor Partners shall comply with the legal requirements and standards of their industry under the national laws of the countries in which the Vendor Partners are doing business. Should the legal requirements and standards of the industry conflict, Vendor Partners must, at a minimum, be in compliance with the legal requirements of the country in which the products are manufactured. If, however, the industry standards exceed the country’s legal requirements, Stride Rite will favor Vendor Partners who meet such industry standards. Vendor Partners shall comply with all import requirements of the U.S. Customs Service and all U.S. Government agencies and the equivalent agencies in other countries which are the final destination of the products. Necessary invoices and required documentation must be provided in compliance with U.S. law or the law of the destination country. Vendor Partners shall warrant to Stride Rite that no merchandise sold to Stride Rite infringes the patents, trademarks or copyrights of others and shall provide to Stride Rite all necessary licenses for selling merchandise sold to Stride Rite which is under license from a third party to protect intellectual property rights in the United States or elsewhere. All merchandise shall be accurately marked or labeled with its country of origin in compliance with the laws of the United States or designated final destination country and those of the country of manufacture. All shipments of merchandise will be accompanied by the requisite documentation issued by the proper governmental authorities, including but not limited to Form A’s, import licenses, quota allocations and visas and shall comply

with orderly marketing agreements, voluntary restraint agreements and other such agreements in accordance with U.S. law and other applicable law. The commercial invoice shall, in English, accurately describe all the merchandise contained in the shipment, identify the country of origin of each article contained in the shipment, and shall list all payments, whether direct or indirect, to be made for the merchandise, including, but not limited to any assists, selling commissions or royalty payments. Backup documentation, and any Stride Rite required changes to any documentation, will be provided by Vendor Partners promptly.

2. EMPLOYMENT

Stride Rite expects its Vendor Partners to meet the following terms and conditions of employment:

Compensation

Vendor Partners shall fairly compensate their associates/employees by providing wages and benefits which are in compliance with the national laws of the countries in which the Vendor Partners are doing business and which are consistent with the prevailing local standards in the countries in which the Vendor Partners are doing business, if the prevailing local standards are higher.

Hours of Labor

Vendor Partners shall maintain reasonable associate/employee work hours in compliance with local standards and applicable national laws of the countries in which the Vendor Partners are doing business. Associates/employees shall not work more hours in one week than allowable under applicable law, and shall be compensated as appropriate for overtime work. We favor Vendor Partners who utilize less than sixty-hour work weeks, and we will not use suppliers who, on a regularly scheduled basis, require employees to work in excess of a sixty-hour week. Employees should be permitted reasonable days off and leave privileges.

Forced Labor/Prison Labor

Vendor Partners shall maintain employment on a voluntary basis. Stride Rite will not accept products from Vendor Partners who utilize in any manner forced labor or prison labor in the manufacture or in their contracting, subcontracting or other relationships for the manufacture of their products.

Child Labor

Stride Rite will not tolerate the use of child labor in the manufacture of products it sells. We will not accept products from Vendor Partners that utilize in any manner child labor in their contracting, subcontracting or other relationships for the manufacture of their products. For a definition of "Child", we will look first to the national laws of the country in which the Vendor Partner is doing business. If, however, the laws of that country do not provide such a definition or if

the definition includes individuals below the age of 14, Stride Rite will define "Child", for purposes of determining use of illegal child labor, as any one who is:

- a. less than 14 years of age; or
- b. younger than the compulsory age to be in school in the country in which the Vendor Partner is doing business, if that age is higher than 15. Stride Rite supports legitimate workplace apprenticeship education programs for younger persons.

Discrimination/Human Rights

Stride Rite recognizes that cultural differences exist and different standards apply in various countries, however, we believe that all items and conditions of employment should be based on an individual's ability to do the job, not on the basis of personal characteristics or beliefs. Stride Rite favors Vendor Partners who have a social and political commitment to basic principles of human rights and who do not discriminate against their associates/employees in hiring practices or any other term or condition of work, on the basis of race, color, national origin, gender, religion, disability, sexual orientation or political opinion.

3. WORKPLACE ENVIRONMENT

Vendor Partners shall furnish associates/employees with safe and healthy working conditions. Factories working on Stride Rite merchandise shall provide adequate medical facilities, fire exits and safety equipment, well-lit workstations, adequate ventilation, adequate safeguards against chemical contaminants, clean restrooms, and adequate living quarters where necessary. Stride Rite will not do business with any Vendor Partner which provides an unhealthy or hazardous work environment or which utilizes mental or physical disciplinary practices.

4. CONCERN FOR THE ENVIRONMENT

We encourage our Vendor Partners to reduce excess packaging and to use recycled and non-toxic materials whenever possible. We will favor Vendor Partners who share our commitment to the environment.

5. REGULAR INSPECTION AND CERTIFICATION BY VENDOR PARTNERS

Vendor Partner shall designate, on a copy of the Stride Rite Vendor Partner Inspection and Certification Form which is attached hereto as EXHIBIT "A", one or more of its officers to inspect each of the facilities which produces merchandise sold to Stride Rite. Such inspections shall be done on at least a semi-annual basis to insure compliance with the standards, terms and conditions set forth herein. The Vendor Partner Officer designated to perform such inspections shall certify to Stride Rite following each inspection that he or she performed such inspection and that the results reflected on such compliance inspection form are true and correct.

6. RIGHT OF INSPECTION

To further assure proper implementation of and compliance with the standards set forth in this Terms of Engagement, Stride Rite or a third party designated by Stride Rite will undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor said standards. Any Vendor Partner which fails or refuses to comply with these standards is subject to immediate cancellation by Stride Rite of all its outstanding Stride Rite orders with that Vendor Partner as well as refusal by Stride Rite to continue to do business in any manner with that Vendor Partner.

VENDOR ACKNOWLEDGMENT

As an officer of _____, a Vendor Partner of Stride Rite, I have read the principles and terms described in this document and understand my company's business relationship with Stride Rite is based upon said company being in full compliance with these principles and terms. I further understand that failure by a Vendor Partner to abide by any of the terms and conditions stated herein may result in the immediate cancellation by Stride Rite of all outstanding orders with that Vendor Partner and refusal by Stride Rite to continue to do business in any manner with said Vendor Partner. I am signing this statement, as a corporate representative of _____, to acknowledge, accept, and agree to abide by the Stride Rite Terms of Engagement for Vendor Partners set forth above. I hereby affirm that all actions, legal and corporate, to make this Agreement binding and enforceable against _____ have been completed.

**VENDOR PARTNER COMPANY NAME,
ADDRESS, TELEPHONE AND FAX NUMBER**

Representative Name:

Typed Name:_____

Title:_____

Date:_____

The Timberland Company

GUIDING PRINCIPLES FOR CHOOSING BUSINESS PARTNERS

Timberland is a belief-driven organization. One of our principal beliefs is that business can and must emerge as a force for positive change in society. We believe that business will fulfill this role when it sets out to create value simultaneously for four constituencies: shareholder, employee, customer and community. It is our belief that doing business in a manner that, over the long run, compromises any one of these constituencies for the gain of any other is to compromise on legitimate, sustainable commercial leadership. So, as we build our business globally, our decisions regarding in what countries and with what partners we do business will be driven by these beliefs. In short, Timberland will do business where we can create meaningful value for all four constituencies and we will not do business where we cannot. Further, we define “meaningful value” as beyond minimum acceptable levels. We seek excellence. This means for example, that we will seek to develop business relationships which address the critical issues facing the community, wherever we do business. For Timberland, we believe that how our business produces is just as critical as what our business produces. The purposes of the principles outlined below is to guide us in our attempt to translate this belief into reality. We will work to follow these guidelines when choosing where and with whom we do business.

Employment Terms

We will do business only with partners whose employees are offered the opportunity to be contributors to a work environment that is safe and non-discriminatory and improves the quality of life of the individual employee and his/her community.

Specific guidelines include:

Compensation: We will do business only with partners who provide wages and benefits consistent with applicable laws governing minimum wage or are consistent with the prevailing local wage. We will also seek business partnerships where meaning benefits are provided to employees.

Working Hours: We will seek partners whose employees regular work schedule (not including appropriately compensated overtime) is not more than 48 hours per six-day period. We will not seek partnerships where employees are routinely expected to work more than six consecutive days or 60 hours per work week. (A “work week” is defined as not more than seven consecutive days including at least one day off).

Voluntary Employment: We will not do business with partners whose employees’ presence is anything other than voluntary.

Child Labor: We will not develop business partnerships with anyone who engages anywhere in the utilization of the labor of children as defined by applicable law. In the absence of applicable law we will define “child” as less than 14 years of age or younger than the compulsory age for school attendance. We will seek and support legitimate apprenticeship and work study programs for young people.

Health and Safety: We will seek business partners who provide, and will support, their employees with a safe and healthy work environment and make a significant effort toward continuous improvement of that environment. Whenever a partnership involves residential sites, we will seek partners who provide safe and healthy residential environments.

Umbro, U.S.A.

CERTIFICATE OF NON-UTILIZATION OF CHILD LABOR OR FORCED LABOR

WHEREAS, Stone Manufacturing Co., a South Carolina corporation, and its affiliates listed on the attached Exhibit A (collectively the “Stone Companies”), expect their suppliers and vendors to observe the laws and regulations of their respective countries, including those relating to the use of child labor, or any forced labor (collectively “Forbidden Labor”), and

WHEREAS, the Stone Companies expect their suppliers and vendors to forego the use of Forbidden Labor even in those countries without reasonable laws or regulations relating to same.

NOW, THEREFORE, in consideration of the Stone Companies’ payment of the demand, invoice or any other indenture of monies associated herewith, the undersigned hereby declare certifies that its policy is to comply with all applicable employment laws and regulations, including all Forbidden labor laws, or its country or jurisdiction relating to the manufacture or distribution of products for the Stone Companies; and further, that in the event its country does not have reasonable laws or regulations relating to the use of Forbidden Labor, the undersigned hereby certifies that it has not utilized Forbidden Labor, in whole or in part, in the manufacture or distribution for the Stone Companies.

[Name of supplier or Vendor]

By:

Its:

Wal-Mart Stores, Inc.

STANDARDS FOR VENDOR PARTNERS

Wal-Mart Stores, Inc. (“Wal-Mart”) has enjoyed success by adhering to three basic principles since its founding in 1962. The **first principle** is the concept of providing value and service to our customers by offering quality merchandise at low prices every day. Wal-Mart has built the relationship with its customers on this basis, and we believe it is a fundamental reason for the Company’s rapid growth and success. The **second principle** is corporate dedication to a partnership between the Company’s associates (employees), ownership and management. This concept is extended to Wal-Mart’s Vendor Partners who have increased their business as Wal-Mart has grown. The **third principle** is a commitment by Wal-Mart to the United States and the communities in which stores and distribution centers are located.

Wal-Mart strives to conduct its business in a manner that reflects these three basic principles and the resultant fundamental values. Each of our Vendor Partners, including our Vendor Partners outside the United States, are expected to conform to those principles and values and to assure compliance in all contracting, subcontracting or other relationships.

Since Wal-Mart believes that the conduct of its Vendor Partners can be transferred to Wal-Mart and affect its reputation, Wal-Mart requires that its Vendor Partners conform to standards of business practices which are consistent with the three principles described above. More specifically, Wal-Mart requires conformity from its Vendor Partners with the following standards, and hereby reserves the right to make periodic, unannounced inspections of Vendor Partner’s facilities to satisfy itself of Vendor Partner’s compliance with these standards:

1. COMPLIANCE WITH APPLICABLE LAWS

All Vendor Partners shall comply with the legal requirements and standards of their industry under the national laws of the countries in which the Vendor Partners are doing business. Should the legal requirements and standards of the industry conflict, Vendor Partners must, at a minimum, be in compliance with the legal requirements of the country in which the products are manufactured. If, however, the industry standards exceed the country’s legal requirements, Wal-Mart will favor Vendor Partners who meet such industry standards. Vendor Partners shall comply with all federal and state requirements of the U.S. Customs Service and all U.S. Government agencies including but not limited to Department of Commerce, Federal Drug Administration, Consumer Product Safety Commission, United States Department of Agriculture, and the Environmental Protection Agency. Necessary invoices and required documentation must be provided in compliance with U.S. law. Vendor Partners shall warrant to Wal-Mart that no merchandise sold to Wal-Mart infringes the patents, trademarks or copyrights of others and shall provide to Wal-Mart all necessary licenses for selling merchandise sold to Wal-Mart which is under license from a third party to protect intellectual property rights in the United States or elsewhere. All merchandise shall be accurately marked or labeled with its country of origin in compliance with the laws of the United States and those of the country of manufacture. All shipments of

merchandise will be accompanied by the requisite documentation issued by the proper governmental authorities, including but not limited to Form A's, import licenses, quota allocations and visas and shall comply with orderly marketing agreements, voluntary restraint agreements and other such agreements in accordance with U.S. law. The commercial invoice shall, in English, accurately describe all the merchandise contained in the shipment, identify the country of origin of each article contained in the shipment, and shall list all payments, whether direct or indirect, to be made for the merchandise, including, but not limited to any assists, selling commissions or royalty payments. Backup documentation, and any Wal-Mart required changes to any documentation, will be provided by Vendor Partners promptly. Failure to supply complete and accurate information will result in cancellation or rejection of the goods.

2. EMPLOYMENT

Wal-Mart is a success because its associates are considered partners and a strong level of teamwork has developed within the Company. Wal-Mart expects the spirit of its commitment to be reflected by its Vendor Partners with respect to their employees. At a minimum, Wal-Mart expects its Vendor Partners to meet the following terms and conditions of employment:

Compensation

Vendor Partners shall fairly compensate their employees by providing wages and benefits which are in compliance with the national laws of the countries in which the Vendor Partners are doing business and which are consistent with the prevailing local standards in the countries in which the Vendor Partners are doing business, if the prevailing local standards are higher.

Hours of Labor

Vendor Partners shall maintain reasonable employee work hours in compliance with local standards and applicable national laws of the countries in which the Vendor Partners are doing business. Employees shall not work more hours in one week than allowable under applicable law, and shall be compensated as appropriate for overtime work. We favor Vendor Partners who use less than sixty hour work weeks, and we will not use suppliers who, on a regularly scheduled basis, require employees to work in excess of a sixty-hour week. Employees should be permitted reasonable days off (which we define as meaning at least one day off for every seven-day period—in other words, the employee would work six days and have at least one day off during a seven day period) and leave privileges.

Forced Labor/Prison Labor

Forced or prison labor will not be tolerated by Wal-Mart. Vendor Partners shall maintain employment on a voluntary basis. Wal-Mart will not accept products from Vendor Partners who utilize in any manner forced labor or prison labor in the manufacture or in their contracting, subcontracting or other relationships for the manufacture of their products.

Child Labor

Wal-Mart will not tolerate the use of child labor in the manufacture of products it sells. We will not accept products from Vendor Partners that utilize in any manner child labor in their contracting, subcontracting or other relationships for the manufacture of their products. No person shall be employed at any age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

Wal-Mart supports legitimate workplace apprenticeship education programs for younger persons.

Discrimination/Human Rights

Wal-Mart recognizes that cultural differences exist and different standards apply in various countries, however, we believe that all terms and conditions of employment should be based on an individual's ability to do the job, not on the basis of personal characteristics or beliefs. Wal-Mart favors Vendor Partners who have a social and political commitment to basic principles of human rights and who do not discriminate against their employees in hiring practices or any other term or condition of work, on the basis of race, color, national origin, gender, religion, disability, sexual orientation or political opinion.

3. WORKPLACE ENVIRONMENT

Wal-Mart maintains a safe, clean, healthy and productive environment for its associates and expects the same from its Vendor Partners. Vendor Partners shall furnish employees with safe and healthy working conditions. Factories working on Wal-Mart merchandise shall provide adequate medical facilities, fire exits and safety equipment, well-lit workstations, clean restrooms, and adequate living quarters where necessary. Workers should be adequately trained to perform their jobs safely. Wal-Mart will not do business with any Vendor Partner which provides an unhealthy or hazardous work environment or which utilizes mental or physical disciplinary practices.

4. CONCERN FOR THE ENVIRONMENT

We believe it is our role to be a leader in protecting our environment. We encourage our customers and associates to always Reduce, Reuse, and Recycle. We also encourage our Vendor Partners to reduce excess packaging and to use recycled and non-toxic materials whenever possible. We will favor Vendor Partners who share our commitment to the environment.

5. BUY AMERICAN COMMITMENT

Wal-Mart has a strong commitment to buy as much merchandise made in the United States as feasible. Vendor Partners are encouraged to buy as many materials and components from United States sources as possible and communicate this information to Wal-Mart. Further, Vendor Partners are encouraged to establish U.S. manufacturing operations.

6. REGULAR INSPECTION AND CERTIFICATION BY VENDOR PARTNER.

Vendor Partner shall designate, on a copy of the Wal-Mart Vendor Partner Inspection and Certification Form, one or more of its officers to inspect each of its facilities which produces merchandise sold to Wal-Mart. Such inspections shall be done on at least a quarterly basis to insure compliance with the standards, terms and conditions set forth herein. The Vendor Partner Officer designated to perform such inspections shall certify to Wal-Mart following each inspection that he or she performed such inspection and that the results reflected on such compliance inspection form are true and correct. All charges related to the inspection and certification of such facilities shall be paid fully by the Vendor Partner. Vendor Partner shall maintain the completed Inspection and Certification Forms on file at each facility and shall make the forms readily accessible to Wal-Mart, its agents or employees when requested. Vendor Partners which fails or refuses to comply with these standards is subject to immediate cancellation of any and all outstanding orders, refusal or return any shipment, and termination doing business with a Vendor Partner.

7. RIGHT OF INSPECTION.

To further assure proper implementation of and compliance with the standards set forth in this Memorandum of Understanding, Wal-Mart or a third party designated by Wal-Mart will undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor said standards. Any Vendor Partner which fails or refuses to comply with these standards is subject to immediate cancellation by Wal-Mart of any and all outstanding orders, refuse or return any shipment, and otherwise cease doing business with that Vendor Partner.

8. CONFIDENTIALITY

Vendor Partners shall not at any time, during or after the term of this Agreement, disclose to others and will not take or use for its own purpose or the purpose of others any trade secrets, confidential information, knowledge, designs, data, know-how, or any information considered logically as "confidential." Vendor Partner recognizes that this obligation applies not only to technical information, designs and marketing, but also to any business information that Wal-Mart treats as confidential. Any information that is not readily available to the public shall be considered to be a trade secret and confidential. Upon termination of this agreement, for any cause, Vendor Partner shall return all items belonging to Wal-Mart and all copies of documents containing Wal-Mart's trade secrets, confidential information, knowledge, data or know-how in Vendor's possession or under Vendor Partner's control.

9. WAL-MART GIFT AND GRATUITY POLICY

Wal-Mart Stores, Inc. has a very strict policy which forbids and prohibits the solicitation, offering or acceptance of any gifts, gratuities or any form of "pay off" or facilitation fee as a condition of doing business with Wal-Mart; as a form of "thank you"; or as an attempt to favor or accept merchandise or services as a lesser degree than what was agreed. Wal-Mart believes in delivering and receiving only the total quantity agreed.

Any direct Vendor Partner, trading company or factory that receives a request or demand from any Wal-Mart associate, agent or affiliate for a gift or gratuity in any form, should immediately be reported to: Wal-Mart Stores, Inc, Director, International Merchandising Division-Imports, 702 S.W. 8th St., Bentonville, AR 72716. Failure to report such information will result in severe action against such Vendor Partners, trading company or factory including but not limited to termination of all existing and future business relationships and money damages.

Any person with knowledge of a violation of any of these standards by a Vendor Partner should call 1-800-WM-ETHIC (1-800-963 -8442) or write to: Wal-Mart Stores, Inc., Director, International Merchandising Division-Imports, 702 S.W. 8th St., Bentonville, AR 72716

VENDOR PARTNER COMPANY NAME,
ADDRESS, TELEPHONE AND FAX NUMBER

Title:

Wolverine World Wide, Inc.

Engagement Criteria for Partners & Sources

Wolverine World Wide, Inc. is a global organization that has a tradition of excellence in its products, in the development of its workforce, and in the high ethical standards that guide our business practices. As we broaden our reach through expanded selling and sourcing operations throughout the world, we insist those we do business with meet those standards and ethical practices that have always been associated with our company.

Partners and sources will be selected on the basis of a shared approach to business. An approach that is ethical, recognizes human rights, and protects the environment. Otherwise, we would compromise the reputation of our company, undermine our values, and place our stakeholders at risk.

Engagement Criteria for Partners & Sources

Engagement Criteria

The following Engagement Criteria addresses issues primarily under the control of our business partners, sources, and vendors. A prior examination of the social, political, and business environment in the countries in which we wish to source will also be a factor in our decision to do business in a country.

Where applicable, existing Wolverine World Wide, Inc. policies and procedures shall apply. The standards of performance in this document agrees with those policies and procedures. In many cases, standards defined under the Engagement Criteria will also apply to subcontractors of our partners and sources.

1. Ethical Standards

We will only do business with those who use sound and legal practices, minimize the potential for conflicts of interest, prohibit the giving and receiving of gifts and gratuities, place the utmost importance in truth and full disclosure, and comply with all specifications, quality criteria, and product requirements.

2. Health & Safety

Our business partners must be committed to a safe and healthy work place and must comply with all applicable laws and regulations that apply to health and safety. Further, there must be an appropriate method for dealing with hazardous materials. Our partners who provide residential facilities must also maintain those facilities in a healthy and safe manner.

3. Environmental

Our partners must be committed to environmentally safe practices and must be in compliance with all applicable laws and environmental regulations. Care must be taken with any environmentally sensitive substances or processes.

4. Employment Practices

We will only do business with those who do not subject their workers to physical risks, recognize the right free association, and do not exploit their workers.

Wages & Benefits: Must comply with the law and/or prevailing local practices. All fees and/or wage deductions must be fair and reasonable.

Working Hours: Must be preset on a daily, weekly and monthly basis with compensation for overtime. Usually this means no more than a 60 hour work-week with one day off within a seven (7) day period.

Child labor: Use by our partners or sources or their sources or vendors of child labor is forbidden. A “child” is a person under the age of 16 years.

Forced Labor: Use by our partners or sources or their sources or vendors of forced or prison labor is forbidden.

Disciplinary Practices: We will not do business with those who use mental or physical threats. Physical punishment of any kind is forbidden.

Non-Discrimination: We believe in cultural diversity and support employment practices based on individual skills and abilities. We will not do business with those who discriminate in any way.

5. General

Our intention is to do business with partners, sources, and vendors who contribute to the betterment of their communities and who train and develop their workers.

Our Commitment

Partners and Sources who engage in business with Wolverine World Wide can expect the following:

A professional approach to business that emphasizes customer satisfaction, product quality, and recognizes the right of our partners and sources to receive a fair return for their efforts.

Regular contact with Wolverine World Wide personnel for program management and technical support.

Business conducted in an open and truthful way with conduct that is ethical at all times and under all circumstances.

Appendix D: Site Visits

During May and June 1997, Department of Labor officials travelled to eight countries — Brazil, China, India, Kenya, Mexico, Nepal, Pakistan and Tanzania — that produce hand-knotted carpets, leather footwear, soccer balls and tea, in connection with this report. The following is a list of the DOL officials and the meetings held during their trips:

1. Brazil
Marcia M. Eugenio, International Program Specialist
Office of International Economic Affairs
Bureau of International Labor Affairs

Mark A. Mittelhauser, Economist
Office of Employment Projections
Bureau of Labor Statistics
2. China
Elizabeth Chua, Compliance Officer
Wage and Hour Division, Region II (New York)
Employment Standards Administration

Howard Dobson, International Economist
Office of International Economic Affairs
Bureau of International Labor Affairs

Hung-Hung (Helen) Li, Program Manager
Safety & Occupational Health Management
Office of the Assistant Secretary for Administration and Management

Gregory K. Schoepfle, International Economist
Office of International Economic Affairs
Bureau of International Labor Affairs
3. India
Matthew Levin, Attorney
Division of Labor-Management Laws
Office of the Solicitor

Karen Travis, International Economist
Office of International Economic Affairs
Bureau of International Labor Affairs
4. Kenya
Kelly W. Bryant II, International Economist
Office of International Economic Affairs
Bureau of International Labor Affairs
5. Mexico
Robert D. Wholey, Area Advisor for Latin America and the Caribbean, Office of Foreign Relations
Bureau of International Labor Affairs

6. Nepal Shirley J. Smith, Labor Economist
Office of International Economic Affairs
Bureau of International Labor Affairs
7. Pakistan A. Michaela Meehan, International Program Analyst
Office of Foreign Relations
Bureau of International Labor Affairs
- James W. Shea, Regulatory Program Specialist
U.S. National Administrative Office
Bureau of International Labor Affairs
8. Tanzania Kelly W. Bryant II, International Economist
Office of International Economic Affairs
Bureau of International Labor Affairs

Brazil: The Department of Labor visited the shoe-producing areas of Franca, State of Sao Paulo, and Vale do Sinos, State of Rio Grande do Sul. In addition, the Department of Labor also visited the tea-producing area of Registro, State of Sao Paulo. Five leather footwear production factories as well as 4 small workshops and household production sites were visited in Franca and 3 in Vale do Sinos. The Department of Labor also visited 4 tea plantations in the area of Registro, including 2 smallholder farms. The team visited 2 labeling programs, a number of employer and worker organizations, government agencies and both international and nongovernmental organizations. Meetings were also held with leather footwear and tea producer associations, and with other organizations connected with exports of Brazilian footwear and tea products.

China: Two Department of Labor teams visited China to gather information for the report. After conducting interviews with officials from the Ministry of Labor and other governmental bodies in Beijing, one team traveled to Shanghai and then to the provinces of Zhejiang and Jiangsu, while the second traveled to Guangdong province and the Shenzhen Special Economic Zone (SEZ). The teams visited 2 factories producing hand-made carpets, 5 producing leather footwear, 3 producing soccer balls, and 1 producing tea bags. The factories visited by the teams spanned the spectrum of enterprise ownership in China — state-owned enterprises (SOE), collectively-owned enterprises, township and village enterprises (TVE), foreign-invested enterprises, joint ventures, and private enterprises. In addition, the Department of Labor officials met with representatives of nongovernmental, worker, and international organizations. Meetings were also held with representatives of industry associations, export corporations, chambers of commerce, business councils, and social organizations.

India: Department of Labor officials traveled to India to gather information regarding hand-knotted carpets, leather footwear, soccer balls and tea. One official visited 4 soccer ball production facilities in the Jalandhar area, in the Punjab, and 4 rug facilities in the so-called “carpet belt” area in Eastern Uttar Pradesh, as well as a series of carpet looms in individual houses in the villages of Machwan, Jagapur, Baripur, Chakhia and Itahara. A second Department of Labor official traveled to 3 sites in the

tea-producing area of West Bengal, and to 11 leather footwear-production sites in the state of Tamil Nadu as well as in Bombay and Agra. Meetings were also held with representatives from government agencies, industry associations, labeling programs, unions, and nongovernmental and international organizations.

Kenya: The focus of the Department of Labor's visit to Kenya was the tea industry. Visits were made to 3 large plantations and a family-operated smallholder estate in Nyeri. The Kenyan Tea Development Authority, several government agencies, a union and a nongovernmental organization were also visited.

Mexico: A Department of Labor official visited the leather footwear-producing areas of León, Guanajuato (men's footwear) and Guadalajara, Jalisco (women's footwear). One leather footwear production plant was visited in Mexico City, 4 in León, Guanajuato and 3 in Guadalajara, Jalisco. Meetings were also held with representatives from trade associations, unions, chambers of commerce, international organizations, and a number of government agencies.

Nepal: The Department of Labor official who visited Nepal concentrated on production of hand-knotted carpets and tea. Seven facilities producing rugs were visited in the Kathmandu Valley and in Bhadrapur. One tea estate located in Bhadrapur was also visited. Meetings were also held with representatives of labeling programs, carpet producers and exporters associations, nongovernmental organizations, unions, governmental agencies and international organizations.

Pakistan: Two Department of Labor officials traveled to Pakistan. One official traveled to Sialkot, the home of the Pakistani soccer ball industry, and to Karachi and Lahore, two areas where hand-knotted carpets are produced. A second official traveled to Karachi, Lahore and Kasur where leather footwear is produced and where leather tanneries exist. Five facilities producing hand-knotted carpets (including a small, unnamed manufacturer), 9 footwear or tannery facilities, and 11 soccer ball producers were visited. Meetings were also held with members of associations of producers and exporters of these products, along with representatives of a labeling program, and a number of worker and employer federations, nongovernmental organizations, government agencies and international organizations.

Tanzania: The focus of the visit by a Department of Labor official was the tea industry. Visits were made to 3 tea plantations and a meeting was held with the Tanzanian Tea Authority. In addition, the official met with representatives from international organizations, several government agencies, a union and a labeling program.

Brazil
List of Meetings
 (Leather Footwear, Tea)

Production Facility Visits

Leather Footwear

Calçados Agabê (Franca, Sao Paulo)
 Amazonas (Franca)
 Paquetá Calçados Ltda. (Sapiranga,
 Rio Grande do Sul)
 Calçados Azaléia S.A. (Parobé,
 Rio Grande do Sul)
 Nine West (Campo Bom, Rio Grande do Sul)
 Small workshops and household production
 sites (Franca and Vale dos Sinos)

Tea

Chá Ribeira, Ltd. (Registro, Sao Paulo)
 CHÁBRAS (Registro)
 Chá Oyama (smallholder) (Registro)
 Chá Bento (smallholder) (Registro)

Trade Associations

Leather Footwear

Footwear Industry Association of Franca
 (Franca)
 Brazilian Association of Footwear
 Manufacturers (Novo Hamburgo,
 Rio Grande do Sul)
 Brazilian Footwear Program
 (Novo Hamburgo, Rio Grande
 do Sul)

Tea

Tea Producers Association of Brazil (Sao Paulo)

Labeling Programs

Abrinq Foundation for the Rights of Children
 (Sao Paulo)
 Pro-Child Institute (Franca)

NGOs

Catholic University of Sao Paulo (PUC-SP)
 (Sao Paulo)

Employer/Worker Organizations

American Chamber of Commerce of Brazil
 (Sao Paulo)
 Industry Association of the State of
 Sao Paulo (CIESP) (Franca)
 Trade and Industry Association of Franca
 (Franca)
 Abrinq: The Brazilian Association of Toy
 Manufacturers (Sao Paulo)

	Union of Footwear Workers (Franca)
	Union of Footwear Workers (Novo Hamburgo)
	Força Sindical (Sao Paulo)
	Central Unica dos Trabalhadores (CUT) (Sao Paulo)
	CUT Affiliate (Vale do Ribeira)
	Association Agrovale (Registro)
	Union of Rural Producers (Vale do Ribeira)
	General Confederation of Workers (CGT) (Sao Paulo)
Government Agencies	Federal Ministry of Labor (Franca, Novo Hamburgo, Porto Alegre, Brasilia, Sao Paulo)
	State Ministry of Labor (Porto Alegre)
	Tutelary Council (Franca)
	Mayor's Office (Franca)
	Empresa Municipal Para o Desenvolvimento de Franca (Franca)
	State Commission for Combating Child Labor, State of Sao Paulo (Sao Paulo)
	Secretariat of Agriculture for the State of Sao Paulo (Registro)
	Municipal Council for the Rights of Children (Registro)
International Organizations	International Labor Organization - IPEC (Brasilia, Vale dos Sinos)
	UNICEF (Sao Paulo)
Other	Adidas Brasil (Sao Paulo)
	Calçados Samélio, S.A. (Franca)

China

List of Meetings

(Hand-Tufted Carpets, Leather Footwear, Soccer Balls, Tea)

Production Facility Visits

Hand-Tufted Carpets

Nanhai Yihua Handicraft Carpet Factory/
Nanhai Tai Ping Carpets Co., Ltd.
(Nanhai)
Wujiang Carpet Factory (Wujiang)

Leather Footwear

Wenzhou Great Wall Shoes Industry
Company (Wenzhou)
Nority Ltd. (Dongguan)
Pegasus International Holdings Ltd. (Panyu)
Tin Shun Shoes Manufacturing Company Ltd.
(Dongguan)
Wenzhou Aidisi Shoe Company (Wenzhou)

Soccer Balls

The Xinhua Balls Manufactory (Guangzhou)
Philla Industries, Inc. (Shanghai)
Kuan Ho Sporting Goods Company Ltd.
(Dongguan)

Tea

Guangdong Lipton Foods Company Ltd.
(Guangzhou)

Trade Associations

Hand-Tufted Carpets

Guangdong Animal By-Products Import and
Export (Group) Corporation
(Guangzhou)
Jiangsu Wujiang Pingwang Township
Agriculture, Industry & Commerce
Company (Wujiang)
SAB Song He Import and Export Company
Ltd. (Shanghai)

Leather Footwear

China Leather Industry Association (Beijing)
Guangdong Light Industrial Products Import
and Export (Group) Corporation
(Guangzhou)
Shenzhen Leather and Footwear
Manufacturers' Association (Shenzhen)

	<p><i>Tea</i></p> <p>China Tuhsu Guangdong Tea Import and Export Corporation (Guangzhou)</p> <p>China Tuhsu Zhejiang Tea Import and Export Corporation (Hangzhou)</p>
Labeling Programs	<p>Kuan Ho Sporting Goods for Baden Sports</p> <p>Gordon Industrial Company Ltd. (Dongguan)</p> <p>(Asia Representative of Baden Sports)</p>
NGOs	<p>All-China Women's Federation (Beijing)</p> <p>Guangdong Women's Federation (Guangzhou)</p> <p>National Committee of YMCAs of China (Shanghai)</p>
Employer/Worker Organizations	<p>Guangdong Trade Union (Guangzhou)</p> <p>Shanghai Municipal Trade Union (Shanghai)</p>
Government Agencies	<p>Ministry of Labor of the People's Republic of China (Beijing)</p> <p>Guangdong Provincial Labor Department (Guangzhou)</p> <p>Wenzhou Municipal People's Government Labor Bureau and the Office of Foreign Affairs (Wenzhou)</p> <p>Zhejiang Provincial People's Government Ministry of Labor and the Department of Foreign Affairs (Hangzhou)</p>
International Organizations	<p>International Labor Organization (Beijing)</p>
Other	<p>Wenzhou Economic and Technological Development Zone Authority (Wenzhou)</p> <p>C&U Group Company Ltd. (Wenzhou)</p> <p>Nike Inc. China Liaison Office (Panyu)</p> <p>Future Trends International (Group) Corporation (Shanghai)</p> <p>Reebok (China) Service Ltd. (Dongguan)</p> <p>Shenzhen Gaobiao Industry Development Corporation (Shenzhen)</p> <p>American Chamber of Commerce Manufacturing Business Council (Shanghai)</p> <p>Liz Claiborne International Ltd. (Shanghai)</p> <p>The United States-China Business Council (Beijing and Shanghai)</p> <p>Sears Buying Services, Inc. (Shanghai)</p>

India

List of Meetings

(Hand-Knotted Carpets, Leather Footwear, Soccer Balls, Tea)

Production Facility Visits

Hand-Knotted Carpets

Eastern Exports (Bhadohi, Uttar Pradesh)
East West Trading Corporation (Bhadohi)
Obeetee Limited (Mirzapur, Uttar Pradesh)
Om Carpet Company (Bhadohi)
Carpet looms in individual houses in the
villages of: Machwan, Jagapur,
Baripur, Chakhia and Itahara, all
located in the Mirzapur/Bhadohi
area.

Leather Footwear

Bonita India, Ltd. (Agra, Uttar Pradesh)
Chevro Shoes (Chennai, Tamil Nadu)
Dawar Group (Agra)
India Shoes (Chennai, Tamil Nadu)
Indo-Skins Garments, Ltd. (Chennai)
K.H. Arind, Ltd. (Chennai)
K.H. Shoes, Ltd. (Chennai)
SCE Tannery (Chennai)
Southern Sulfates & Chemical
(Chennai)
Tej Shoe International (Agra)
Virola International (Agra)

Soccer Balls

Akay International (Jalandhar, Punjab)
Beat All Sports (Jalandhar)
Soccer International Pvt., Ltd.
(Jalandhar)
Wasan Exports (Jalandhar)

Tea

Hansqua Tea Garden (Terai, West Bengal)
Marybong Tea Garden (Darjeeling,
West Bengal)
Pussimbing Tea Estate (Darjeeling)

Trade Associations

Hand-Knotted Carpets

All India Carpet Manufacturers Association
(Bhadohi)

Leather Footwear

Council for Leather Exports (Chennai,
Agra, and Mumbai)
Indian Shoe Federation (Chennai)

Soccer Balls

Sports Goods Export Promotion Council
(New Delhi)
The Sports Goods Manufacturers and
Exporters Association (Jalandhar))
World Federation of Sports Goods Industry
(New Delhi)

Tea

Consultative Committee of Plantation
Associations (Calcutta, West Bengal)
Darjeeling Tea Planters Association
(Darjeeling)
Indian Tea Association (Calcutta)
Tea Association of India (Calcutta)
The Tea Board (Calcutta)

Labeling Programs***Hand-Knotted Carpets***

Care & Fair (Bhadohi)
Kaleen (New Delhi and Bhadohi)
Rugmark® Foundation (New Delhi; Varanasi)
STEP Foundation (Mumbai)

Tea

Fair Trade Labeling Organization
(Calcutta)

NGOs

AADHAR (Agra)
Arunodaya Center for Street and Working
Children (Chennai)
ASEEMA (Mumbai)
Center for Rural Education and Development
Action (Mirzapur)
Child Relief and You (Calcutta)
Peace Trust (Dindigal, Tamil Nadu)
South Asia Coalition on Child Servitude
(New Delhi)
Street Elfin Education and Development
Society (Chennai)
Volunteers for Social Justice (New Delhi and
Jalandhar)
Youth for Unity and Voluntary Action
(Mumbai)

Employer/Worker Organizations***Tea***

Himalayan Plantation Worker's Union
(Darjeeling)

Government Agencies

Ministry of Labor (New Delhi) -
Ministry of Commerce (New Delhi)
Carpet Export Promotion Council
(New Delhi; Bhadohi)
Sports Goods Export Promotion Council
(New Delhi)
National Human Rights Commission
(New Delhi)
National Labour Institute (Noida,
Uttar Pradesh)
Tamil Nadu Labour & Employment
Department (Chennai)
West Bengal Ministry of Labor (Calcutta)

International Organizations

International Labor Organization - IPEC
(New Delhi)
United Nations Development Programme
(New Delhi)
UNICEF (New Delhi)

Other***Hand-Knotted Carpets***

Academy of Management Studies
(Uttar Pradesh)
Amoi Village, Project Mala (Mirzapur/
Bhadohi)
Benares Hindu University, Prof. Juyal
(Varanasi)
Buyers Representative, Warp and Weft
International

Soccer Balls

Cosco, Co. (New Delhi)

Leather Footwear

FloInd (Chennai)
RSL Industries, Ltd. (Chennai)

Tea

Hindustan Level Limited (Unilever)
(Calcutta and Mumbai)
University of Bombay, Prof. Sharit K. Bhowmik
University of Delhi, Prof. Virginius Xaxa
Rogier J.D. Verschoor

Kenya
List of Meetings
(Tea)

Production Facility Visits	Kiambu Tea Plantation (Unilever Company) Mabrouke Tea Factory Brooke Bond Kenya, Karicho, (Unilever Company) Small-holder family farm (Nyeri)
Trade Associations	Kenyan Tea Development Authority (Nyeri)
NGOs	African Network for the Prevention and Protection Against Child Abuse (ANPPCAN)
Employers/Worker Organizations	Central Organization of Trade Unions (COTU)
Government Agencies	Kenyan Ministry of Labour
International Organizations	International Labor Organization - IPEC

Mexico
List of Meetings
(Leather Footwear)

Production Facility Visits	Calzados Internacionales (Mexico City) Calzado Ciudadela (León, Guanajuato) WYNY (León) Juguetón (León) Calzado Gala (León) Calzado Canadá (Guadalajara, Jalisco) Calzado Celis (Guadalajara) Calzado Gali (Guadalajara)
Trade Associations	Footwear Chamber of Industry (CICEG), Guanajuato State (León) National Association of Suppliers for the Leather and Footwear Industries (ANPIC) (León)
Employer/Worker Organizations	American Chamber of Commerce, Labor Committee (Mexico City) National Confederation of Chambers of Industry (CONCAMIN) (Mexico City) Guanajuato State Shoe Industry and Leather Industry Workers Union, Confederation of Mexican Workers (CTM) Confederation of Mexican Workers - Jalisco State National Union “Francisco Villa”, Textile and Garment Industry Union, Confederation of Mexican Workers (CTM) AFL-CIO Solidarity Center, Mexico Representative
Government Agencies	Federal Ministry of Labor and Social Welfare Jalisco State Ministry of Labor and Social Welfare Jalisco State Attorney General Jalisco State Commission of Human Rights Jalisco State Integral Development of the Family (DIF)
International Organizations	UNICEF
Other	Guanajuato Institute for Quality (IGC) (León) Journalist, “La Jornada”

Nepal
List of Meetings
(Hand-Knotted Carpets, Tea)

Production Facility Visits

Hand-Knotted Carpets

Karma Tara Carpet Industry Pvt. Ltd.
(Kathmandu)
Snowlion Carpets Pvt. Ltd. (Kathmandu)
Samling Carpet Industries (Kathmandu)
Gomang Carpet Manex (P) Ltd. (Kathmandu)
Netib Carpet Industries (Kathmandu)
Potala Carpet Industries (Kathmandu)
Kishore Carpet Industries (Bhadrapur)

Tea

Buddhakaren Tea Estates (Bhadrapur)

Trade Associations

Hand-Knotted Carpets

Central Carpet Industries Association
(Kathmandu)
Carpet and Wool Development Board
(Kathmandu)

Labeling Programs

Hand-Knotted Carpets

RUGMARK® Nepal
STEP Foundation

NGOs

National Society for the Protection of
Environment and Children (NASPEC)
Children at Risk Network Group
(representing 27 NGO members)
Child Workers in Nepal (CWIN)
Informal Sector Service Centre (INSEC)
Child Welfare Society
Environment, Women and Childrens' Rights

Employer/Worker Organizations

AFL-CIO Solidarity Center, Nepal
Representative
General Federation of Nepalese Trade
Unions (GEFONT)
National Trade Union Congress (NTUC)
Potala Carpet Industries local union

Government Agencies

Department of Labour
Trade Promotion Centre

International Organizations

International Labor Organization - IPEC
UNICEF
United Nations High Commission for
Refugees

Pakistan
List of Meetings

(Hand-Knotted Carpets, Leather Footwear, Soccer Balls)

Production Facility Visits

Hand-Knotted Carpets

Abbas Corporation (Pvt.) Ltd. (Lahore)
JAKCISS Oriental Rugs (Lahore)
Kashmir Carpets (Karachi)
Pak Punjab Carpet Manufacturing (Pvt.) Ltd.
(Lahore)
ITDC Carpets (Karachi)

Leather Footwear

Fayva Shoes (Pvt.) Ltd. (Lahore)
Siddiq Leather Works (Pvt.) Ltd. (Lahore)
Firhaj Footwear (Pvt.) Ltd. (Lahore)
Hafeez Shafi Tanneries (Lahore)
London Tanneries (Pvt.) Ltd. (Karachi)
Mohammed Shafi Tanneries (Karachi)
Lyra Shoe Company (Pvt.) Ltd. (Karachi)
Elegant Footwear (Pvt.) Ltd. (Lahore)
Service Industries, footwear exporter (Lahore)

Soccer Balls

Assac Industries (Sialkot)
Capital Sports Corporation (Pvt.) Ltd. (Sialkot)
M.H. Challenge Industries (Pvt.) Ltd. (Sialkot)
Craftsman (Pvt.) Ltd. (Sialkot)
Forward Sports (Pvt.) Ltd. (Sialkot)
Moltex Sporting Goods (Pvt.) Ltd. (Sialkot)
Recto Sports (Pvt.) Limited (Sialkot)
Saga Sports (Pvt.) Ltd. (Sialkot)
SILTEX (Pvt) Limited (Sialkot)
Silver Star Enterprises Pvt. Ltd. (Sialkot)
Sublime Group of Companies (Sialkot)

Trade Associations

Korangi Chamber of Commerce and Industry
(Karachi)
Lahore Chamber of Commerce and Industry
(Lahore)
Pakistan Carpet Manufacturers and Exporters
Association (Lahore)
Sialkot Chamber of Commerce and Industry
(Sialkot)
Federation of Pakistan Chambers of
Commerce & Industry
World Federation of Sporting Goods Industry

Labeling Programs	RUGMARK® Pakistan STEP Foundation Reebok International
NGOs	Human Rights Commission of Pakistan Democratic Commission for Human Development Society for the Protection of the Rights of the Child (Islamabad) Save the Children (UK) - Pakistan National Centre for the Rehabilitation of Child Labour Sudhaar Frederich Ebert Foundation
Employer/Worker Organizations	Employers' Federation of Pakistan (Karachi) All Pakistan Federation of Labour (Rawalpindi) All Pakistan Federation of Trade Unions (Lahore)
Government Agencies	Ministry of Labour (Islamabad) National Institute of Labor Administration (Karachi) Ministry of Commerce (Karachi, Lahore) Ministry of Women Development, Social Welfare and Special Education Division (Islamabad) Ministry of Education (Sindh Province) Pakistan Bait-ul-Mal
International Organizations	International Labor Organization - IPEC UNICEF
Other	Ford, Rhodes, Robson, Morrow (Chartered Accountants hired by Reebok) Javed Jabbar (Former Minister of State)

Tanzania
List of Meetings
(Tea)

Production Facility Visits	Mufindi Tea Company Ltd. (Mufundi) Brooke Bond Tanzania Ltd. (Mufundi) Kabina Tea Company (Njombe)
Trade Associations	Tanzania Tea Authority (Dar Es Salaam)
Labeling Programs	TRANSFAIR Tanzania Consultant
Employer/Worker Organizations	Tanzanian Plantation & Agriculture Workers Union
Government Agencies	Tanzanian Ministry of Labour & Youth Development
International Organizations	International Labor Organization - IPEC UNICEF

Appendix E - ILO Convention 138

*International Labor Organization
C138 Minimum Age Convention, 1973
PREAMBLE*

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fifty-eighth Session on 6 June 1973, and

Having decided upon the adoption of certain proposals with regard to minimum age for admission to employment, which is the fourth item on the agenda of the session, and

Noting the terms of the Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention, 1921, the Minimum Age (Trimmers and Stokers) Convention, 1921, the Minimum Age (Non-Industrial Employment) Convention, 1932 the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, and the Minimum Age (Underground Work) Convention, 1965, and

Considering that the time has come to establish a general instrument on the subject, which would gradually replace the existing ones applicable to limited economic sectors, with a view to achieving the total abolition of child labour, and

Having determined that these proposals shall take the form of an international Convention,

adopts the twenty-sixth day of June of the year one thousand nine hundred and seventy-three, the following convention, which may be cited as the Minimum Age Convention, 1973:

Article 1

Each Member for which this Convention is in force undertakes to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work to a level consistent with the fullest physical and mental development of young persons.

Article 2

1. Each Member which ratifies this Convention shall specify, in a declaration appended to its ratification, a minimum age for admission to employment or work within its territory and on means of transport registered in its territory; subject to

Articles 4 to 8 of this Convention, no one under that age shall be admitted to employment or work in any occupation.

2. Each Member which has ratified this Convention may subsequently notify the Director- General of the International Labour office, by further declarations, that it specifies a minimum age higher than that previously specified.

3. The minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years.

4. Notwithstanding the provisions of paragraph 3 of this Article, a Member whose economy and educational facilities are insufficiently developed may, after consultation with the organisations of employers and workers concerned, where such exist, initially specify a minimum age of 14 years.

5. Each Member which has specified a minimum age of 14 years in pursuance of the provisions of the preceding paragraph shall include in its reports on the application of this Convention submitted under article 22 of the constitution of the International Labour Organisation a statement—

- (a) that its reason for doing so subsists; or
- (b) that it renounces its right to avail itself of the provisions in question as from a stated date.

Article 3

1. The minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out, is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.

2. The types of employment or work to which paragraph 1 of this Article applies shall be determined by national laws or regulations or by the competent authority, after consultation with the organisations of employers and workers concerned, where such exist.

3. Notwithstanding the provisions of paragraph 1 of this Article national laws or regulations or the competent authority may, after consultation with the organisations of employers and workers concerned, where such exist, authorise employment or work as from the age of 16 years on condition that the health, safety and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity.

Article 4

1. In so far as necessary, the competent authority, after consultation with the organisations of employers and workers concerned, where such exist, may exclude from the application of this Convention limited categories of employment or work in respect of which special and substantial problems of application arise.
2. Each Member which ratifies this Convention shall list in its first report on the application of the Convention submitted under article 22 of the Constitution of the International Labour Organisation any categories which may have been excluded in pursuance of paragraph 1 of this Article, giving the reasons for such exclusion, and shall state in subsequent reports the position of its law and practice in respect of the categories excluded and the extent to which effect has been given or is proposed to be given to the Convention in respect of such categories.
3. Employment or work covered by Article 3 of this Convention shall not be excluded from the application of the Convention in pursuance of this Article.

Article 5

1. A Member whose economy and administrative facilities are insufficiently developed may, after consultation with the organisations of employers and workers concerned, where such exist initially limit the scope of application of this Convention.
2. Each Member which avails itself of the provisions of paragraph 1 of this Article shall specify, in a declaration appended to its ratification, the branches of economic activity or types of undertakings to which it will apply the provisions of the Convention.
3. The provisions of the Convention shall be applicable as a minimum to the following: mining and quarrying; manufacturing; construction; electricity, gas and water; sanitary services; transport, storage and communication; and plantations and other agricultural undertakings mainly producing for commercial purposes, but excluding family and small-scale holdings producing for local consumption and not regularly employing hired workers.
4. Any Member which has limited the scope of application of this Convention in pursuance of this Article—
 - (a) shall indicate in its reports under article 22 of the Constitution of the International Labour Organisation the general position as regards the employment or work of young persons and children in the branches of activity which are excluded from the scope of application of this Convention and any progress which may have been made towards wider application of the provisions of the Convention;
 - (b) may at any time formally extend the scope of application by a declaration addressed to the Director-General of the International Labour Office.

Article 6

This Convention does not apply to work done by children and young persons in schools for general, vocational or technical education or in other training institutions, or to work done by persons at least 14 years of age in undertakings, where such work is carried out in accordance with conditions prescribed by the competent authority after consultation with the organisations of employers and workers concerned, where such exist, and is an integral part of—(a) a course of education or training for which a school or training institution is primarily responsible; (b) a programme of training mainly or entirely in an undertaking which programme has been approved by the competent authority; or (c) a programme of guidance or orientation designed to facilitate the choice of an occupation or of a line of training.

Article 7

1. National laws or regulations may permit the employment or work of persons 13 to 15 years of age on light work which is—
 - (a) not likely to be harmful to their health or development; and
 - (b) not such as to prejudice their attendance at school, their participation in vocational orientation or training programmes approved by the competent authority or their capacity to benefit from the instruction received.
2. National laws or regulations may also permit the employment or work of persons who are at least 15 years of age but have not yet completed their compulsory schooling on work which meets the requirements set forth in sub-paragraphs (a) and (b) of paragraph 1 of this Article.
3. The competent authority shall determine the activities in which employment or work may be permitted under paragraphs 1 and 2 of this Article and shall prescribe the number of hours during which and the conditions in which such employment or work may be undertaken.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, a Member which has availed itself of the provisions of paragraph 4 of Article 2 may, for as long as it continues to do so substitute the ages 12 and 14 for the ages 13 and 15 in paragraph 1 and the age 14 for the age 15 in paragraph 2 of this Article.

Article 8

1. After consultation with the organisations of employers and workers concerned, where such exist, the competent authority may, by permits granted in individual cases, allow exceptions to the prohibition of employment or work provided for in Article 2 of this Convention, for such purposes as participation in artistic performances.
2. Permits so granted shall limit the number of hours during which and prescribe the conditions in which employment or work is allowed.

Article 9

1. All necessary measures, including the provision of appropriate penalties, shall be taken by the competent authority to ensure the effective enforcement of the provisions of this Convention.
2. National laws or regulations or the competent authority shall define the persons responsible for compliance with the provisions giving effect to the Convention.
3. National laws or regulations or the competent authority shall prescribe the registers or other documents which shall be kept and made available by the employer; such registers or documents shall contain the names and ages or dates of birth, duly certified wherever possible, of persons whom he employs or who work for him and who are less than 18 years of age.

Article 10

1. This Convention revises, on the terms set forth in this Article the Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention, 1921 the Minimum Age (Trimmers and Stokers) Convention, 1921, the Minimum Age (Non-Industrial Employment) Convention, 1932, the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, and the Minimum Age (Underground Work) Convention, 1965. The coming into force of this Convention shall not close the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, or the Minimum Age (Underground Work) Convention, 1965, to further ratification.
2. The coming into force of this Convention shall not close the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, or the Minimum Age (Underground Work) Convention, 1965, to further ratification.
3. The Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention 1921, and the Minimum Age (Trimmers and Stokers) Convention, 1921 shall be closed to further ratification when all the parties thereto have consented to such closing by ratification of this Convention or by a declaration communicated to the Director-General of the International Labour Office.
4. When the obligations of this Convention are accepted—
 - (a) by a Member which is a party to the Minimum Age (Industry) Convention (Revised), 1937, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention this shall ipso jure involve the immediate denunciation of that convention,

(b) in respect of non-industrial employment as defined in the Minimum Age (Non-Industrial Employment) Convention, 1932, by a Member which is a party to that Convention, this shall ipso jure involve the immediate denunciation of that Convention,

(c) in respect of non-industrial employment as defined in the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937 by a Member which is a party to that Convention, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention, this shall ipso jure involve the immediate denunciation of that Convention,

(d) in respect of maritime employment, by a Member which is a party to the Minimum Age (Sea) Convention (Revised), 1936, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention or the Member specifies that Article 3 of this convention applies to maritime employment, this shall ipso jure involve the immediate denunciation of that Convention,

(e) in respect of employment in maritime fishing, by a Member which is a party to the Minimum Age (Fishermen) Convention, 1959, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention or the Member specifies that Article 3 of this Convention applies to employment in maritime fishing, this shall ipso jure involve the immediate denunciation of that convention,

(f) by a Member which is a party to the Minimum Age (underground Work) Convention, 1965, and a minimum age of not less than the age specified in pursuance of that Convention is specified in pursuance of Article 2 of this Convention or the Member specifies that such an age applies to employment underground in mines in virtue of Article 3 of this Convention, this shall ipso jure involve the immediate denunciation of that Convention, if and when this Convention shall have come into force.

5. Acceptance of the obligations of this Convention—

(a) shall involve the denunciation of the Minimum Age (Industry) Convention, 1919, in accordance with Article 12 thereof,

(b) in respect of agriculture shall involve the denunciation of the Minimum Age (Agriculture) Convention, 1921, in accordance with Article 9 thereof,

(c) in respect of maritime employment shall involve the denunciation of the Minimum Age (Sea) Convention, 1920, in accordance with Article 10 thereof, and of the Minimum Age (Trimmers and Stokers) Convention, 1921, in accordance with Article 12 thereof, if and when this Convention shall have come into force.

FINAL PROVISIONS

Article 11

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour office for registration.

Article 12

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratifications has been registered.

Article 13

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an Act communicated to the Director-General of the International Labour Office for registration. Such denunciation should not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 14

1. The Director-General of the International Labour office shall notify all Members of the International Labour Organisation of the registration of all ratifications and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 15

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications and acts of denunciation registered by him in accordance with the provisions of the preceding Articles.

Article 16

At such times as may consider necessary the Governing Body of the International Labour office shall present to the General Conference a report on the working of this Convention and shall examine the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 17

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides:

a) the ratification by a Member of the new revising convention shall ipso jure involve the immediate denunciation of this Convention notwithstanding the provisions of Article 13 above, if and when the new revising Convention shall have come into force;

b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 18

The English and French versions of the text of this Convention are equally authoritative.

U.S. Department of Labor
Bureau of International Labor Affairs
International Child Labor Program
Rm S5303
Washington, D.C. 20210

Official Business
Penalty for Private Use, \$300

K-100

BULK RATE
Postage and Fees Paid
U.S. Department of Labor
Permit No. G757