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Credible certification of child labor free production

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Introduction

In the early 1990s, reports surfaced of the prevalence of child labor in many industries, including rugs and soccer balls. In the rug and carpet industry, critics alleged, children as young as four years old were being sold into bonded labor, their families receiving the equivalent of about \$50 in return for several years of labor by the child. Children were expected to work weaving carpets for twelve or more hours a day while living in deplorable conditions.¹ Some estimates were that as many as one million children were forced to work fifteen to eighteen hours a day weaving carpets across the countries of South Asia.² Around the same time, allegations surfaced that the soccer balls sold by major sports companies including Umbro, Reebok, Adidas, and Mitre – which provides balls for Britain’s Football Association and Premier League – were being stitched together by Pakistani children, some of whom had been sold into bonded labor by their parents. The reports indicated that children as young as six years old were being paid 10 pence for a single football that would later sell for 50 pounds.³

Reports of the prevalence of child labor in the making of rugs and soccer balls were part of a larger global awareness about exploitative working conditions by multi-national corporations. This era of “stateless regulation” (Seidman 2005, 2007) – in which exploitative

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¹ “Bound to Looms by Poverty and Fear, Boys in India Make a Few Men Rich,” *New York Times*, July 9, 1992.

² “Children Protest Slave Labor,” *The Gazette*, February 23, 1993.

³ “Scandal of Football’s Child Slavery,” *Sunday Times* (London), May 14, 1995.

working conditions proliferated as corporations took advantage of governments' reluctance and inability to enforce labor regulations when faced with the threat posed by mobile capital – resulted in the growing involvement of non-governmental organizations (NGOs) in monitoring corporations. NGOs have used the threat of “naming and shaming” corporations they deem to fall below minimum thresholds of “ethical behavior” to influence consumer behavior in the belief or hope that consumers will be unwilling to tolerate and support such businesses. Businesses, in turn, wishing to protect the value of their brand seek to avoid such embarrassment and so respond to NGO demands by either offering their own codes of conduct to which they promise to adhere or by agreeing to be monitored by the NGO in exchange for certification of good behavior which they can tout to discerning consumers as evidence of their ethical behavior (Conroy 2007; Seidman 2007).

Such certification allows businesses to target an important niche market in ethically-produced products, and, presumably, gives consumers the information they require to make ethical consumption choices. It is a virtuous self-reinforcing circle that should lead to a “race to the top” (Spar 1998). However, while consumers and the retailers who supply them might often be willing to pay more for more socially responsible goods, there is no tangible difference between products made with or without child labor, making it hard to know at the point of consumption which products meet these higher social standards. Therefore, the focus has shifted to assessing whether the production process conforms to social norms, and NGOs have sought to reduce the informational asymmetry between consumers and producers by certifying the production process. This raises the question that is the focus of this chapter: *when and why is NGO certification credible?*

To address this question, we organize this chapter around a comparison of the rug and carpet sector versus the soccer ball industry. The rug industry is especially useful since it permits a comparison of two competing labels, Rugmark and Kaleen, where the former has achieved a measure of credibility that the latter has not, allowing us to isolate the determinants of certification credibility while holding the industry specifics constant. Further, for all the limitations of the two main rug labeling schemes, the fact is that both have been more successful than the “Foul Ball” campaign in the soccer

industry, a fact which we leverage in an industry-level comparison. Using these within- and across-industry cases, we assess progress on the four conditions for credibility laid out by Lake and Gourevitch in Chapter 1 – common interests of the audience and the NGO, costly effort by the NGO, penalties for misrepresentation, and external verification. While Rugmark and Kaleen have some serious shortcomings in meeting the criteria for credibility, they fare much better than the Foul Ball campaign which – while somewhat increasing awareness of the presence of child labor – has failed to provide credible information to consumers about whether children were involved in production of particular soccer balls. In all of these cases, many factors, including public sector education and the structure of the economy, could help explain why child labor is more prevalent in some places than others. Our focus, however, is on NGO credibility rather than the eradication of child labor. As such, we will focus on the characteristics of NGOs rather than the countries or economies in which they operate.

Our cases suggest three important points. First, on the basis of the criteria laid out in Chapter 1, some NGOs are indeed more credible than others in establishing that a product was made without the use of child labor. We are skeptical, though, that consumers and retailers will engage in a systematic consideration of which NGOs meet these four criteria or not. Regarding labels, for instance, we suspect that many consumers struggle to differentiate between labels claiming that a product is free of child labor. Second, although some NGOs may be more credible than others for the discerning consumer or retailer, all suffer from a lack of external monitoring. We conclude that the most credible signal that a product was made without child labor would come from mandatory government initiatives that are industry-wide. Indeed, Gay Seidman (2010) notes that the carpet industry in India was decentralized precisely to avoid government regulation of working conditions. Likewise, the use of NGOs as certifiers is a way for businesses to avoid a more credible effort by the government to monitor the use of child labor. We argue in favor of moving beyond relying wholly on the virtue of NGOs, which are better suited to being watchdogs than credible certifiers, toward a central role for states in the monitoring and regulation of child labor so that consumers and retailers can be confident about how their merchandise has been produced.

In developing our two main arguments, we seek to offer a stronger theoretical foundation for future empirical tests regarding the perception of credibility to consumers and retailers. Specifically, building on work like that of Michael Broukhim and Michael Hiscox (2009) we advocate more empirical research on what enhances perceptions of credibility to consumers and retailers and on whether credible signals can be linked to actual reductions in the use of child labor. Finally, we put forth a clear policy prescription regarding child labor, notably that credibility in monitoring and certification – according to the criteria laid out by Gourevitch and Lake – can be best assured by bring the state back in, rather than relying on NGOs to accomplish a task for which they are at a comparative disadvantage.

Credible certification: rugs versus soccer balls

In establishing credibility of child labor free production, Rugmark fares better than Kaleen (McClintock 2001), and both rug-industry labels fare better than the Foul Ball campaign in the soccer industry. Table 3.1 summarizes our characterization of Rugmark, Kaleen, and the Foul Ball campaign in relation to four conditions for credibility.

The success of Rugmark versus the Foul Ball campaign is especially surprising given that both were reactions to publicity about the use of child labor in the same era – the early to mid-1990s – and both campaigns included some of the same advocates and organizations backing them. Despite their similar origins, Rugmark established credibility with consumers and retailers, while the Foul Ball campaign failed to create a system by which to convey credible information that its suppliers were not using child labor in production. Explaining this variation in perceived credibility is the goal of this chapter, and, therefore, we turn to a closer examination of the background and implementation of means to certify child labor free production in the rug and soccer ball industries.

The rug and carpet industry: a relative success in certifying child labor free production

Rugmark and Kaleen are the two largest organized efforts to combat the use of child labor in the South Asian rug industry and both label rugs to provide an assurance that children were not involved in their

Table 3.1. *Conditions for credibility in Rugmark/Goodweave, Kaleen, and the Foul Ball campaign*

	Rugmark	Kaleen	Foul Ball campaign	Bringing the state back in: mandatory government regulation with NGOs as watchdogs
Common interests of organization and consumers	Yes; because Rugmark is a NGO with the express purpose of monitoring and eliminating child labor	Only partial common interests because Kaleen is quasi-governmental and the government has an interest in not finding cases of child labor	Largely not common interests because it was initiated by the industry rather than a NGO. While Save the Children has become involved, it does not spearhead the effort	Yes; NGO watchdogs would have common interests with consumers and retailers wishing to discourage child labor

Costly effort	Yes; producers pay to join Rugmark, but actual costs are low since Rugmark has very few monitors to conduct inspections	No; funded partially by the government via a tax on export sales, making the costs for producers lower. Also, Kaleen, like Rugmark, has very few monitors to conduct inspections	Some costs in efforts in Sialkot, but minimal continuing costs as it is largely a publicity campaign today	Yes; government initiatives should be mandatory and industry-wide, requiring a significant investment of resources; NGOs may commit significant resources too
Penalty for misrepresentation	Yes; because Rugmark would lose credibility in its very reason for existence	Limited; the Kaleen label would lose credibility, but overall impact is limited since the CEPC's mandate is greater than simply certification	Minimal; because no label and they do not purport to officially certify that production is child labor free	High; costs of a boycott are significant if abuses are found, and in more democratic countries bad publicity can hurt electoral chances
External verification	No	No	No	Yes; NGOs would verify government initiatives

making.⁴ Rugmark is an entirely private organization, while Kaleen is quasi-governmental; this difference between the two plays a critical role in making Rugmark more credible.

Rugmark (Goodweave⁵)

The Indian government has long taken the official stance of condemning child labor although its laws have frequently not been enforced. Article 24 of the Indian Constitution, passed in 1949, forbids the employment of children in hazardous industries and, unlike the United States, India is also a signatory to the 1989 Convention on the Rights of a Child and passed a comprehensive Child Labor Prohibition and Regulation Act in 1986 and a National Policy on Child Labour Act in 1987 (Chowdry and Beeman 2001; Sharma 2002–2003).

Nonetheless, the use of child labor in India was and, in some cases, continues to be widespread in a number of hazardous industries (Weiner 1991). In the 1980s and early 1990s, the use of child labor in the carpet industry caught the interest of the international community and generated a great deal of negative press and threats of boycotts. Negative press about the use of child labor in India's carpet industry had been escalating in the early 1990s. In the summer of 1993, in response to the threat of an international boycott, the Indian government issued an order that the use of child labor in weaving rugs should be ended within three months with the threat from the textiles minister of "stringent legal action."⁶ Estimates indicated that this was not a problem on the margins, but that millions of child laborers formed the backbone of the carpet and rug industry, with

⁴ STEP and Care and Fair are two smaller organizations that certify a company's commitment to avoiding the use of child labor but do not certify that child labor has not been used in production. As such, STEP and Care and Fair offer awareness and signal that companies with their label do not openly support the use of child labor (Bachman 2000). Compared to Rugmark and Kaleen, these two organizations are small in scale. We exclude STEP and Care and Fair from our discussion here as they are not NGOs, but company-sponsored initiatives intended to announce a commitment to eradicating child labor rather than any assurance that it is not being used. Future research could incorporate the extent to which such efforts improve a company's reputation.

⁵ Rugmark was renamed Goodweave in 2009 (www.rugmark.net/news/339). For clarity and consistency with previous scholarship, we use the name Rugmark throughout this chapter.

⁶ "Carpet Traders Ordered to Free Child Slaves," *The Times*, July 27, 1993.

some reports alleging that as many as 75 percent of those employed in the carpet industry were children and that one million children were forced to work fifteen to eighteen hours a day weaving carpets across the countries of South Asia (Burra 1995).⁷

Because the carpet industry is one of the most profitable Indian export industries, the government had a strong incentive to take action to counter the use of child labor given the threat of international attention. At a minimum, the Indian government had a strong incentive to cooperate with NGOs working to combat the use of child labor in order to avoid the negative press that could hamper one of its most lucrative export industries. Several NGOs worked on child labor, including in the rug industry prior to the creation of Rugmark. One of these was the Bonded Labor Liberation Front (BLLF), which engineered raids to rescue bonded children in the mid-1980s, including a high-profile rescue of thirty children in the spring of 1984. Building on this, the South Asian Coalition of Child Servitude (SACCS) was founded in 1986 and includes the BLLF and sixty-four other South Asian organizations (Chowdry and Beeman 2001). Both organizations were highly effective in raising public and international awareness about the widespread use of child labor in the Indian carpet industry.

Publicity of child slave labor in the Indian carpet industry further spread to other Western countries including Sweden, Holland, the United Kingdom, and the United States. The Indian government and domestic carpet associations began to fear a boycott, and so, two major carpet industry associations – the All India Carpet Manufacturers Association (AICMA) and the Carpet Export Promotion Council (CEPC) – began discussing the issue with SACCS. However, members of AICMA were split in the position as to whether child labor was justified and whether they were even willing to acknowledge its prevalence, and little came of this industry effort to get out in front of the bad publicity.⁸ A new organization arose, Carpet Manufacturers Without Child Labor (CMAWCL), which expressed greater commitment to the abolition of child labor in the carpet industry (Chowdry and Beeman 2001), but, again, little tangible progress was made.

⁷ “Children Protest Slave Labor,” *The Gazette*, February 23, 1993.

⁸ “Experts Cannot Agree on How to End Child Labor in India,” *Deutsche-Pressen Agentur*, April 8, 1998.

Because Germany had a particularly high demand for Indian rugs, labor activist Kailash Satyarthi, who was a prominent player in the BLLF and SACCS, targeted his efforts on promoting consumer awareness in Germany and on developing NGO programs which would work to eliminate the use of children in rug weaving. His strategy succeeded: organizations like Bread for the World, Terre des Hommes, and Misreror worked together in creating the Campaign Against Child Labor, while other groups such as the Federal Association of Oriental Carpet Importers, the German Trade Association, and the Association for the Protection of Children helped promote public awareness about the problem (Chowdry and Beeman 2001; Ravi 2001). In 1991, after a speech a year earlier by Satyarthi at the United Nations Human Rights Commission subgroup on modern slavery, the United Nations accepted a resolution suggesting that a label be created for carpets to indicate that child labor had not been used in their production (McDonagh 2002). Ultimately, the Indo-German Export Promotion Council backed the foundation of Rugmark in 1994 to do just that.

Rugmark is an independent labor monitoring program financed by the dues of member companies. It certifies and labels rugs for which production is child labor free. Rugmark also assists with rescuing and rehabilitating children in part by providing access to educational resources. After its founding, Rugmark quickly expanded to include as members businesses in other Western countries, including the United States (Compa and Hinchcliffe-Darricarrère 1995).

Today Rugmark has expanded its business to Nepal and Pakistan. Licensed importers can be found in the Netherlands, Belgium, Luxembourg, Sweden, Switzerland, the United States, and the United Kingdom. Rugmark has been widely praised as a success. The label's recognition is increasingly widespread and has even resulted in collaboration with major corporations, such as the 2009 initiative to begin working with Macy's. While there are limitations in verifying the number of child laborers in the carpet industry before and after Rugmark, some scholars have been able to verify independently a reduction in the number of children in the industry (Ravi 2001).

Rugmark has been able to finance its social assistance programs because it passes on the costs of certification to businesses. For extra fees, companies can also gain access to additional reports and case studies on the Rugmark website as well as being included in

promotional projects such as its 2006 “Most Beautiful Rug” campaign intended to increase consumer awareness. Representatives of Rugmark are quick to emphasize that the initiative is led by retailers without whose fees none of the educational or social assistance programs would be possible.⁹

The relative success of Rugmark and the implications for credibility

Rugmark meets two of the four conditions for credibility (common interests and a penalty for misrepresentation), but is characterized by problems in making a costly effort and securing external verification of its efforts. On the positive side, some experts have concluded that “Rugmark appears to be more independent, credible, and better equipped to capture the spirit of public cooperation” than other programs such as Kaleen and STEP (McClintock 2001: 904).

Experts have reached this conclusion in large part because Rugmark’s credibility is bolstered by several factors. First, Rugmark shares common interests with consumers and retailers seeking child labor free products. While Rugmark was backed by the German and Indian governments, it is a private NGO and an independent certifier whose sole purpose is to monitor the use of child labor in the textile industry. Customers seeking reassurance that their products are child labor free are better served by Rugmark than by a business, which may have ulterior motives. Rugmark’s credibility is further enhanced by the somewhat costly effort required for certification as its member companies pay dues for certification, although problems with the extent to which their certification is truly costly will be discussed below.

Rugmark would suffer a penalty for misrepresenting its certification process as its reputation would be ruined if it were discovered that rugs with its label were made with the work of children. Because it is an independent NGO, Rugmark’s very existence as an organization rests on its ability to convince consumers and retailers that it can monitor effectively. If rugs with the Rugmark label were discovered to have been made by children, its existence as an organization would be questioned. This also means that Rugmark does have an incentive

⁹ “Responsible Trading: Mark of Progress,” *Carpet and Floorcoverings Review*, May 18, 2007.

to find violators and exclude them from their labeling scheme whereas business initiatives might have incentives not to find offenders.

The underlying question is why Rugmark is successful in meeting some of the criteria for credibility. Certifying child labor free products is credible to the extent it is because of the label and its initiation primarily by a NGO, independent of companies and governments, which shares interests with consumers and retailers. This is also critical for there to be a penalty for misrepresentation. This suggests that NGOs can play a critical role in credible certification when their motives are not tainted by association with ulterior industry and government motivations.

Despite its relative success, Rugmark has faced some serious criticism that its certification is not entirely credible (Seidman 2009). Even with an operating budget of more than \$1 million a year, Rugmark employs only eighteen monitors who often are unable to check any single loom more than once every three years. The small number of inspectors suggests that Rugmark is not making a very costly effort to monitor and that its label does not ensure that child labor was not used. For instance, in a 1995 interview, Ram Achal Maury reported that his brother, the president of Rugmark, could not confirm that his company's carpets were child labor free. Others have accused Rugmark inspectors of being corrupt and taking bribes, although documented cases of this have not been reported.¹⁰ Activists in India have referred to Rugmark as "misleading" and "misguided" and UNICEF cut its involvement with the initiative in the late 1990s (Seidman 2010).

Rugmark also lacks any external verification of its organization or monitors. Consumers are in the position of taking their word for it that they monitor randomly and do not find instances of child labor. Kaleen, another monitoring organization which will be discussed next, may inspect some of the same looms that Rugmark inspectors do, but one has no reliable way of knowing.

Kaleen's efforts to monitor the use of child labor

The initial success of Rugmark was alarming to Indian carpet producers. While their early efforts to have industry lead the certification process failed, Rugmark's existence provided a new impetus. The

¹⁰ "India Battles Illegal Child Labor," *Christian Science Monitor*, November 8, 1995 (accessed through LexisNexis Academic).

Carpet Export Promotion Council (CEPC), which falls under the auspices of the Indian Ministry of Textiles, formed a quasi-governmental program called Kaleen. The CEPC oversees the mandatory registration of all Indian carpet exporters and issues export licenses; the Kaleen labeling scheme was added to these tasks. Kaleen was thus established a year after the creation of Rugmark and modeled on its efforts, although as a response from within industry it differs explicitly in its origins. The CEPC effort has faced serious criticism, particularly regarding corruption and unreliability in the monitoring of looms. One carpet weaver indicated that it was easy to bribe government inspectors, stating that “If they get money, the inspectors say there was no child labor. If there is no money, even if the boy is 18, they write that he is only 14.”¹¹ Such anecdotal accounts, and the lack of funding for adequate inspection of members’ looms, suggest that the Kaleen label has been rendered meaningless by corruption.¹²

Kaleen does not fare well on the four conditions for credibility and highlights the importance of certification efforts being led by an independent NGO that has common interests with consumers rather than with government or industry. First, because Kaleen is a quasi-governmental initiative, it has fewer shared common interests with socially-conscious consumers. The rug export industry is a powerful lobbying group domestically, and the Indian government has an incentive not to discover the use of child labor and face political repercussions as a result. Additionally, the government has an interest in protecting the industry from bad press that could lead to boycotts and hamper the development of the industry. Thus, while the government, and, by extension, Kaleen does have an incentive to convince consumers that child labor is being fought in the rug industry, it faces a conflict of interest because of its intimate relationship to the exporters it aims to police.

Second, the penalty for misrepresentation is arguably higher for Rugmark, a private organization whose very existence would be threatened by reports of falsified monitoring, while the government as a whole does not necessarily lose credibility if Kaleen proves to be

¹¹ *Ibid.*

¹² Other accounts indicate that the Kaleen label only means that the companies have signed on to an agreement to follow guidelines intended to lead to the eradication of child labor in the rug industry (Bachman 2000), although the announcement of Kaleen does not indicate this to be the case.

a poorly functioning program. Furthermore, Kaleen can be framed as part of a long-term, ongoing effort which, while it has problems, is a step in the right direction. Indeed, an annual government report of the Indian textile industry in 1995–1996 said that Kaleen was just one of a number of measures taken to combat child labor in this industry.¹³ Framing Kaleen as one of several steps is in keeping with the commitment model of corporate social responsibility by which businesses, NGOs, and the government must collaborate rather than having monitors serve as whistleblowers that encourage businesses to cover up any violations (Locke *et al.* 2009). Being a private initiative, Rugmark would have more difficulty framing itself as part of a long-term, overarching government commitment to countering child labor. Based on the penalty for misrepresentation, the discerning customer should find Rugmark more credible than Kaleen even if there are accusations of corruption and limited monitoring for both.

Kaleen is also a less costly effort because it is subsidized by the Indian government. Its operations are not financed by dues from member companies, but rather by a small tax on export sales.¹⁴ Finally, as with the other NGO initiatives covered in this chapter, Kaleen lacks external verification. Kaleen could act as an external verifier of Rugmark or vice versa, but this is not currently the case.

Our comparison of the two major initiatives to certify child labor free production in the export rug industry in India suggests that, while Kaleen, like its private counterpart Rugmark, provides an official label, for the discerning customer it should be a much less credible source of certification because its interests are more diffuse and it faces fewer costs for making mistakes. However, in a low-information environment, and given the inherent difficulty in observing child labor, the introduction of additional labels through programs like Kaleen also runs the risk of confusing consumers and decreases their credibility (Sharma 2002–2003). Although Rugmark labels do, in principle, allow consumers to track the rug through the entire production process, there is no indication that most purchasers do so, nor is there a guarantee that an inspector saw a specific loom. Research

¹³ “Indian Textile Exports Cross 9 Billion Dollars in Fiscal 1995–1996,” Deutsche Presse-Agentur, August 7, 1996.

¹⁴ “India Battles Illegal Child Labor.”

suggests that a label alone is credible as consumers look for quick information shortcuts to allow them to buy what they think may be more socially responsible products (Broukhim and Hiscox 2009) and that we should be skeptical about the long-term positive gains from labeling initiatives (Basu *et al.* 2006).

Our concern – which we hope will be empirically tested in future work – is that consumers will either take all labels as equivalent indicators of credibility or that they may dismiss them altogether. The surge in the use of labels through multiple sources confuses consumers, leading them to conflate more and less credible labels. And, if consumers are aware of the labels, then they may unjustly penalize companies if the chances of getting a label are low even when a producer qualifies, as would be the case if bribes are required to get positive reports (Baland and Duprez 2009). As consumers, we should remain skeptical about what information these labels actually provide. While the ultimate impact of labels is not our focus here, problems with credibility suggest that labels are not likely to have the intended effect of creating incentives for producers to avoid employing children in dangerous work, but rather that labels create perverse incentives and mask the extent of the continuing problem.

Soccer balls: a lack of credibility in the Foul Ball campaign and Sialkot Project

Child labor violations in the stitching of footballs were publicized in the mid-1990s, around the same time that violations in the carpet industry were coming to public attention. In 1995, articles surfaced that the footballs sold by major sports companies, including Umbro, Reebok, Adidas, and Mitre (which provides balls for Britain's Football Association and Premier League), were being stitched together by Pakistani children, some of whom had been sold into bonded labor by their parents. This flurry of media attention included a CBS documentary aired in April of 1995, which presented disturbing images of children stitching soccer balls in dark rooms with no windows (CBS 1995) and a *Life* magazine exposé highlighting the disparity between the conditions of American children playing with soccer balls and the Pakistani children making them (Schanberg and Dorigny 1996). Reports indicated that children as young as six years old were being paid 10 pence for a single football that would sell for as much as

50 pounds.¹⁵ Outrage emerged that children were being exploited to produce the soccer balls used in the World Cups, European competitions, and the FA Cup final. Many companies took defensive action, promising to cancel contracts with any suppliers using child labor. Reebok, for instance, announced that it had cancelled current contracts with its suppliers.¹⁶

The Bachpan Bachao Andolan (BBA), also founded by social activist Kailash Satyarthi (a prominent player in the creation of Rugmark), was the first organization to lobby to put an end to the use of child labor in soccer ball stitching during the 1996 European championship (Zutshi 2008). Because these efforts to combat child labor in the soccer ball industry were led by some of the same activists and organizations, it is all the more surprising that efforts to provide credible certification of the absence of child labor in production has been more successful for carpets than soccer balls. Understanding this variation is useful for identifying the conditions that enhance the credibility of certification.

The Fédération Internationale de Football Association (FIFA) and the International Labor Organization (ILO) responded to these charges by creating the Foul Ball campaign and adopting mandates for labor standards, including that children under the age of fifteen should not be employed in making footballs (Zutshi 2008). However, the Foul Ball campaign was ultimately little more than a public relations campaign consisting of statements condemning the practice. Efforts to highlight the use of child labor in the football industry have been echoed in more recent efforts like the 2006 event “Red Card to Child Labor.”¹⁷ These efforts have amounted to little more than public awareness campaigns and have not produced credible monitoring of the use of child labor. The Foul Ball campaign never achieved a “tipping point” in which businesses needed to sign on to certify child labor free production to be competitive.

The main result of the campaign to end child labor in soccer ball production was the Sialkot Child Labor Elimination Project, announced

¹⁵ “Scandal of Football’s Child Slavery,” *The Sunday Times* (London), May 14, 1995.

¹⁶ “Balls Made by Child Laborers,” *USA Today*, April 7, 2005.

¹⁷ For more information on the “Give a Red Card to Child Labor” events, see www.ilo.org/ipec/Campaignandadvocacy/RedCardtoChildLabour/lang-en/index.htm.

as part of the Atlanta Agreement in 1997.¹⁸ The town of Sialkot in Pakistan is a significant case: reports estimate that it produces 60 to 80 percent of the world's footballs (Siegman 2008). The Atlanta Agreement was adopted in consultation with the Save the Children Foundation, the ILO, and UNICEF. Ultimately, the Pakistani government and local NGOs were also involved in the implementation of the initiative (Husselbee 2000; Siegman 2008).

While previously soccer balls were often assembled in village homes, the Sialkot Project involved the creation of stitching centers that could be monitored by the ILO. Social assistance programs similar to those run by Rugmark were also planned to help families send children to school while replacing the lost income. Some reviews of the efforts to curb the use of child labor in Sialkot have been very positive and, because such a high percentage of soccer balls are made in this town, have a big impact on the industry as a whole. Two years after the program's implementation, former President Bill Clinton announced that the program was a success in which "the industry, the ILO, and UNICEF joined together to remove children from the production of soccer balls and give them a chance to go to school, and to monitor the results" (Clinton 1999 in Boje and Khan 2009).

NGOs played a secondary role in combating child labor in the soccer ball industry. While several international organizations became involved (including Save the Children, the ILO, and UNICEF), there was no single NGO that was created with for the sole purpose of monitoring or certifying child labor free production that was comparable to Rugmark in the rug industry. David Husselbee (2000) indicates that Save the Children was a relative success in Sialkot because it operated from a position of trust within the partnership, so that businesses did not fear an adverse effect on their commercial relations based on the findings. In other words, the initiative was led by business rather than an independent NGO. Among the successes achieved in Sialkot, Husselbee notes that fifty-three manufacturers in Sialkot were monitored by the ILO. Social assistance has been provided, including 104 government primary schools and 150 non-formal education centers (although it is unclear what constitutes a "non-formal education center"). It appears that the inclusion of NGOs has been

¹⁸ A copy of the Atlanta Agreement can be obtained at www.imacpak.org/atlanta.htm (accessed August 2009).

important for obtaining the access to facilities and other logistical prerequisites necessary to monitor the use of child labor.

The main shortcoming of the project is that it is limited to the one town of Sialkot – albeit an important town. Similar procedures have not been set up throughout the football industry. The ILO reported in 2004 that 95 percent of soccer ball production was being monitored and in 2007 reported that only 3 percent of producers were “performing badly” (IMAC 2004, 2007). However, there continue to be reports of pervasive use of child labor in the production of footballs (Zutshi 2008). For instance, in 2008 the International Labor Rights Forum (ILRF) found that the use of child labor continued to be pervasive in Pakistan and India.¹⁹ Notably, while some minimal efforts have been made to monitor and reduce the use of child labor in the football industry, there is no labeling campaign comparable to Rugmark. There is no way for consumers to know whether the football they are purchasing was produced with child labor, and there is little indication that companies have credible information about their own supply chain. Finally, while this chapter focuses principally on the determinants of credibility rather than eventual social outcomes, it is important to note accusations that the efforts to eradicate the use of child labor in Sialkot have done little to address the underlying social issues such as the improvement of wages or conditions (Khan *et al.* 2007).

The Foul Ball campaign and the Sialkot Project and the implications for credibility

Even if the efforts in Sialkot have reduced the use of child labor in one town, they have failed to convey credible information to consumers about whether child labor has been used. We cannot, for instance, know whether our soccer balls were made in Sialkot or not, which, allegedly, would mean that it was less likely child labor was used.²⁰ The Foul Ball campaign and the Sialkot Project did not do well on any of the four

¹⁹ See the ILRF report at www.laborrights.org/stop-child-labor/foulball-campaign (accessed August 2009).

²⁰ Although news reports indicate that most soccer balls are made in Sialkot, there is typically no label indicating exactly where the ball was made. For instance, information on Umbro soccer balls indicates “Made In: Imported” without actually specifying a location. An example of this can be found at www.soccer.com/IWCatProductPage.process?Merchant_Id=1andN=4294960224+331andProduct_Id=523623. In 1996, Reebok announced it would

conditions for credibility. The campaign does not share common interests with consumers, its efforts are not costly, there are low penalties for misrepresentation, and there is no system of external verification.

First, because the Foul Ball campaign was established and is maintained by the industry rather than an independent NGO, it does not share common interests with its consumers. Although Save the Children, the ILO, and UNICEF were involved, these organizations did not take the lead. Because these NGOs were acting under the directive of the industry rather than independently, their credibility as certifiers was damaged.

Furthermore, Save the Children concluded that stitching footballs was not especially dangerous or exploitative work for children and provided needed financial assistance for families (Husselbee 2000). This contradicts previous research from the ILRF, which indicates that children suffer serious vision and back problems from working long hours hunched over in poor lighting and that needles used to sew balls together often puncture children's hands.²¹ Disagreement among NGOs about whether child labor was even a significant problem further undermined their credibility.

Second, efforts in the soccer ball industry were not very costly in the long term. While there was an initial cost involved in establishing the stitching centers, there appear to be minimal continuing costs. The cost of social assistance is also limited to a single town. While companies claim that the majority of their soccer balls are made in Sialkot, there is no label that indicates where a ball was made. Furthermore, companies do not pay membership fees to be part of a monitoring organization as they do with Rugmark, making the ongoing costs low.

Third, while there was some penalty for misrepresentation since the industry would lose face and, possibly, customers, if the initiative could not claim to have produced any results, the penalty for misrepresentation was much lower because there was no label. If violations were found, companies could claim to have been unaware of them and point to their continuing efforts to eliminate child labor. Even if some soccer ball stitching continues in village homes, the Sialkot

start putting a label on its soccer balls indicating that they were not made with child labor, but such labels were never created.

²¹ See the ILRF report at www.laborrights.org/stop-child-labor/foulball-campaign (accessed August 2009).

Project is likely to face serious criticism if child labor is found in the stitching center itself. Otherwise, the companies can simply point to the reticence of workers to commute to a central location and the difficulty of eradicating child labor if it is concealed in the home. In other words, even in light of continuing child labor in making soccer balls, companies like Umbro and Reebok can make the claim that they are doing all they can.

Finally, the efforts of the Foul Ball campaign, including the Sialkot Project, lacked any external verification. ILO monitors did observe stitching centers, but as part of the original initiative, this does not constitute truly external verification. Additionally, there was no monitoring of soccer ball production that was not done in Sialkot. There was no effort by external NGOs or the Pakistani government to monitor the consequences of the Sialkot Project. In short, despite the positive reviews of its success, we really just have the word of the industry, which has a vested interest in maintaining a positive public appearance.

The underlying question is why the Foul Ball campaign failed to meet the basic criteria to establish credibility with consumers and retailers. One of the primary reasons is that Foul Ball (like Kaleen in the rug industry) was initiated and maintained by the industry rather than being led by a NGO, whose conflicts of interests might be fewer. The source of initiatives to certify child free labor is, therefore, a key underlying explanation for when efforts will be credible. Although NGOs served as collaborators in this case, they were not the initiating organizations and do not function independently. Without an independent NGO leading the cause, the Sialkot Project appears to be simply a one-time effort in a single location. The industry also had no incentive to create labels if it could sufficiently improve its image without investing in a costly effort. A perfect illustration is that, although Reebok announced in 1996 after the initial outcry that it planned to begin labeling its balls as “child labor free,” no such labels were ever created.²² Reebok very likely calculated that the increased possibility of a tarnished reputation – if it was discovered that labels were erroneously placed on balls that were in fact made with child labor – was not worth the risk.

²² “Reebok International to Label Soccer Balls with ‘Made Without Child Labor’ Guarantee,” PR Newswire, November 16, 1996 (accessed through LexisNexis Academic).

There is no indication that negative press hurt sales of soccer balls or that the efforts of the Foul Ball campaign led to a resurgence in soccer ball purchases by consumers previously concerned about the use of child labor. This case pessimistically suggests that any negative consequences suffered by the companies as a result of bad press were countered by a one-time, non-credible effort in a single town.

Conclusion: implications for NGO credibility in monitoring and certification

Credible certification is an important first step in promoting social change. While Rugmark has successfully promoted awareness and provided what consumers and retailers are willing to accept as a credible signal, Foul Ball has failed to reach even this important first step of promoting awareness and providing what is at least perceived as credible information. There is no way for a consumer in a Western country to know whether the soccer ball she purchases has been made with the use of child labor.

The cases also suggest that, although some NGO efforts may be more credible than others, NGOs are limited in the extent to which they can offer truly credible signals of child labor free production. One example of this can be found in labels. Labels provided by NGOs are inherently problematic, in part due to the proliferation and diversity of what different labels represent. What consumers take as credible signals may convey little actual information (Broukhim and Hiscox 2009). Gay Seidman (2009) notes that the growth of labeling initiatives in the carpet industry actually provides “credible” information to consumers but makes the labels less meaningful as it is not clear what each denotes. Alakh Sharma (2002–2003) indicates that Rugmark and other initiatives in the carpet industry have been mostly successful in raising awareness. Our concern, therefore, is that less discerning consumers will not pay attention to all four of the criteria that should promote credibility – meaning that they should favor a Rugmark label over one from Kaleen – but rather will pacify their desire to be socially conscious by purchasing any labeled product.

Labels are only one part of the larger problem of NGO credibility, as all NGOs face inherent limitations in certifying child labor free production. The cases in this chapter suggest that external verification is a problem of particular concern for NGOs that are attempting to

monitor and certify labor standards. Other NGOs may act as whistleblowers, but it is uncertain that they would have a clear incentive to invest their time and energy in doing so most of the time.²³ In cases where multiple, even competing, NGOs exist, they could possibly serve as external verification for each other. However, Rugmark and Kaleen also lacked any external verification despite the fact that they might be able to provide this check for each other. There is no whistleblower for any of the NGOs discussed in this chapter. Realistically, larger international organizations like the ILO or UNICEF may be able to provide verification that smaller, issue-specific NGOs are reliable and credible monitors. However, the incentive for international organizations to engage in such external verification is questionable.

Rather than relying on other NGOs and international organizations, governments can and should play a central role in regulating the use of child labor. Furthermore, for the government to be most effective, it should establish a universal and compulsory monitoring system of its own, which could establish systems of verification as are done with many public programs (i.e., some type of ombudsman). In short, governments can provide the most credible signal of all. For one-time efforts like the Sialkot Project, the government is unlikely to conduct an extensive review of whether the program is doing what it says it does. Furthermore, programs to monitor and certify labor standards are sometimes in countries that lack the capacity or incentive to monitor NGO activity. In fact, if an NGO can improve the image of the industry in a country with little to no cost to the government, the government has no motivation to intervene to discredit the organization's work. This means that external monitoring of NGOs is, empirically, unlikely to occur. NGOs can help fill the gap in an era of "stateless regulation," but as we think about the large goal of effecting actual social change, it may be necessary for government to

²³ Some for-profit organizations like ForeignAid Ratings, LLC do provide lists of credible NGOs (see Chapter 5, this volume). The earthquake in Haiti in January of 2010 prompted a demand for lists of worthy NGOs to which individuals should feel comfortable donating. For example, Charity Navigator has provided a list of ten credible NGOs in Haiti (www.charitynavigator.org/index.cfm?bay=content.viewandcpid=1004). This suggests that when there is a major crisis or event, there will be demand for NGOs providing external verification of other NGOs, but in long-term practice most individuals are unlikely to look at these, particularly if they are not considering making a donation. Most importantly, these rankings do not give us any information about whether NGOs can credibly certify labor standards.

spearhead widespread efforts to regulate, monitor, and penalize those who do not comply.

NGOs face an inherently difficult time in serving as credible and effective monitors of child labor use in global supply chains for at least two related reasons. First, NGOs do not have adequate financial resources for an undertaking of this sort, and so are required to generate funds. In Rugmark's case, start-up capital provided by the German government proved invaluable, and subsequently Rugmark charges the businesses it monitors a fee in exchange for certification. But taking funds from the same companies one is monitoring creates conflicts of interest that can easily undermine the monitor's credibility. This lack of resources is witnessed again in the persistent difficulty of gathering the information required to render a credible assessment of the businesses practices. Second, even when NGOs appear to have gained some credibility – as Rugmark arguably has – their broader impacts are very limited and face problems of scaling up. A recent Rugmark self-assessment suggests that there are still 300,000 children working in the carpet industry in South Asia (Rugmark 2008). How does a certification program that accounts for less than 8 percent of the total market for the goods being certified tackle a problem of that scale? More generally, certification programs typically focus on specific industries, while the problems they tackle are general. So even if Rugmark succeeds in eradicating child labor in the carpet industry, what guarantee is there that their former employees will not simply find jobs stitching footballs? To the extent that we hope NGOs can effect broader social change, our analysis suggests a pessimistic outlook.

The pessimism expressed here should be hardly surprising to anyone familiar with the history of successful regulatory movements in the developed world. The role NGOs are being asked to play as monitors and enforcers of anti-child-labor codes of conduct lie well beyond their comparative advantage. In fact, arguably, asking them to play this role reflects an apolitical perspective and an ahistorical *naïveté*. In most developed countries, the regulatory function is fulfilled by states, which can utilize their vaster resources and their unique position to influence the behavior of even the largest corporations. Indeed, in both India and Pakistan, child labor is illegal and has been so for decades (Weiner 1991). The problem is that governments do not enforce the laws that are on the books, and politicians and bureaucrats turn a blind eye to their violation. Faced with such a pusillanimous and craven state, the solution has been to turn to civil society to

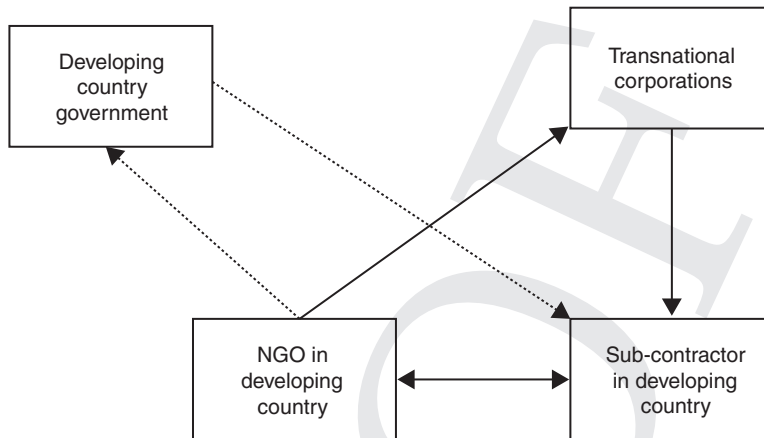


Figure 3.1 Bringing the state back in – state as regulator and NGO as whistleblower

fill the gaps, but in so doing, we have both asked these NGOs to reach well beyond their grasp and have let the state off the hook.

Figure 3.1 presents the current role of NGOs in monitoring child labor (with solid lines) versus our alternative proposal for bringing the state back in (with dotted lines).

The key actors are three: transnational corporations (typically headquartered in the West), a sub-contractor in a developing country, and a NGO in the same developing country. In the current scenario, the NGO plays the role of monitor, conveys information about alleged violations to the transnational corporation either through public shaming or private channels, and the transnational corporation exerts pressure on the sub-contractor to amend its ways. The state is left out of the picture.

In contrast, we argue that NGOs must make the state the focus of their activity, as suggested by inherent problems with the credibility of NGOs in the rug and soccer ball industries demonstrated here. In this formulation, the NGO should play two roles simultaneously. First, with respect to local factories and businesses, the NGO should assume an adversarial position, seeking to identify and publicize violations of the law. Second, with respect to the state, the NGO should use its position in civil society to build public awareness and mobilize public opinion against the state. In Table 3.1, we have included a

column assessing our proposal in relation to the four criteria for credibility. Our model of the state as regulator and the NGO as watchdog provides the most credible system of monitoring. NGOs have a common interest with consumers and retailers who want to avoid child labor; the effort should be mandatory and industry-wide, constituting a significant investment of government resources and substantial costs for NGO watchdogs; the penalty for misrepresentation would be high both economically and politically (particularly for politicians relying on competitive elections to stay in power); finally, NGO watchdogs would serve as external monitors of the government. Although the state may have an incentive to misrepresent the existence of child labor and officials can be bribed – which we argue is part of the problem with the continuing prevalence of child labor in India – NGOs acting as watchdogs should make it more likely that government deception will be revealed, thereby providing an increased incentive for honest government monitoring. The key is to encourage the state to take on the role as the primary entity responsible for monitoring and certifying whether child labor has been used.

The twin tasks of whistleblower and mobilizer lie within the comparative advantage of NGOs, and constitute roles they can play credibly and effectively. The parallel to the human rights regime is apt: one would not think of seeking to defend human rights by excluding the state, even if the violators of such rights are extra-state. Rather what human rights NGOs do, with Amnesty International as a prime example (Wong 2009), is utilize their grassroots networks to elicit information about the facts on the ground, and publicize this information broadly in an effort to pressure the state either to enforce its own laws or to make new ones. In our pursuit of labor rights for workers employed at the bottom of global supply chains, we have all too often forgotten the state, and relied entirely – and mistakenly – on NGOs. Moving beyond the virtue of NGOs and incorporating a central role for the state will go a long way toward helping the working children of the world.