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## Child labor violations are on the rise in U.S. Are they in your supply chain?



By [Aaron Nicodemus](#) | Mon, Mar 11, 2024 12:31 PM

**The first step is admitting there is a problem, and child labor is a growing one in the United States.**

In the past, child labor violations might have appeared as a distant concern—something that happens overseas, elsewhere, *away*. Or, it was considered to be at low risk of occurring in the United States.

As a result, U.S. compliance officers have not been accounting for the possibility of child labor violations in their risk assessments. They weren't considering how and where child labor violations might be occurring. They weren't taking into account the potential blowback on their company's reputation if abuses were found within the labor pool used to develop their company's product or service.

In short, the U.S. compliance community has not been spending time addressing a problem mistakenly thought to be a rarity.

What's changed? The driving force is the rising flow of underage migrants coming to the United States.

In December, U.S. Customs and Border Protection recorded more than 370,000 encounters with people entering the United States without authorization, a spike that had been building over months, according to the agency's [nationwide encounters data](#).

A percentage of those encounters involved unaccompanied minors. In fiscal year 2023, which ran from to July 1, 2022, to June 30, 2023, nearly 138,000 unaccompanied minors entered the United States, according to the agency's data. This represented a drop in total minors entering the country compared to FY2022 (approximately 153,000 minors) and FY2021 (about 148,000).

Unaccompanied minors flowing into the United States are finding "dangerous, illegal jobs in every state, including in factories, slaughterhouses, and industrial dairy farms," according to a [series of articles](#) by the *New York Times*. There have been numerous instances of children being killed or seriously injured performing these jobs, the newspaper reported.

Penalties are also rising for child labor violations. In FY2023, Department of Labor investigators [identified child labor violations](#) in 955 cases and fined employers more than \$8 million, compared to 835 cases and \$4.4 million in FY2022.

One of the biggest obstacles Americans face in tackling the issue of illegal child labor is acknowledging it exists, said Matthew Friedman, chief executive officer of the Mekong Club, a Hong-Kong based consultancy that works with the private sector to bring about sustainable practices against modern slavery.

"Raising this awareness that any company can be vulnerable is the first step," he said.

Major U.S. companies like McDonalds, Ford Motor Co., Costco, Starbucks, Whole Foods, and PepsiCo have taken steps to eliminate child labor in their U.S. supply chains, according to a *New York Times* [report](#) published in February.

Friedman said while companies might feel confident their facilities do not hire underage workers, the vulnerabilities lie in areas where work is outsourced, where workers are hired by third parties, and for dangerous work performed on overnight shifts.

Third-shift workers, security guards, cleaners, and other types of jobs performed out of sight, with no public-facing responsibilities, are potentially being filled by underaged workers, Friedman said.

“We’re talking about young people, who, because of their age and perhaps their migratory status, who come from poverty and so forth, are exploited, and as a result, they end up in these so-called ‘dirty jobs’ that happen late at night,” he said.

How should compliance officers address potential child labor violations within their organizations and supply chains?

Start with a fulsome risk assessment, suggested Gwen Hassan, deputy chief compliance officer at Unisys, but a risk assessment alone is not enough. Compliance officers must also obtain the support of the board to mitigate those child labor abuse risks once they are found. That can be tricky business, she said. Anyone putting together such a risk assessment doesn’t want the results to sit, unread, in a file somewhere.

“I recommend a dual-tracking approach, where you conduct your own desktop assessment using available resources, like media reports, using indexes of industries and of geographies that have high levels of child labor and forced labor and map that against your organization,” Hassan said. “You take that high-level inherent risk business case to your management and/or your board and say, ‘Hey, based on my back-of-the-napkin calculations, here are the areas where we have a high risk.’”

What if you present your risk assessment and the board or executive committee says it has other priorities than looking for child labor violations?

“I like to call it the ‘death-by-a-thousand-cuts strategy,’ which is the idea that it may take a while to get buy in from the management team, and that is OK,” she said. “They could have a very real risk of child labor but also be facing an inquiry from the Department of Labor, in the midst of a merger, or at risk of being acquired. There can be other priorities, so my point would be to the practitioners in this space that you need to build your business case slowly, over time, by educating them about the risk and building consensus.”

## **Let’s talk about zero tolerance**

Businesses should also consider their goal regarding the removal of child labor from their organizational footprint.

Is it zero tolerance for any child labor, anywhere in the business and supply chain? Will they cease to do business with any supplier or vendor that has used child labor? Is halting all future violations while also obtaining assurance from the vendor they have changed

their business practice? Is the business ready to handle potential disruptions in order to meet a zero-tolerance goal?

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Gwen Hassan, Deputy Chief Compliance Officer, Unisys

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Friedman said zero tolerance for child labor could be as simple as updating policies and procedures to say any employee of the business, or anyone employed on behalf of the business, must be of a certain age.

But the zero-tolerance policies can't be boilerplate language in contracts, Friedman said. Such provisions must be enforced for them to mean anything. There must be consequences for businesses that violate the contract language.

The United Nations, in a [policy statement](#), made a point of differentiating between child work and child labor.

“Not all work done by children should be classified as child labor that is to be targeted for elimination,” it said, suggesting that working around the home, assisting in a family business, and working for pocket money during vacations and school holidays are all beneficial, not harmful, to a child's development.

“Child labor is work carried out to the detriment and endangerment of a child, in violation of international law and national legislation,” the statement said. “It either deprives children of schooling or requires them to assume the dual burden of schooling and work. Child labor to be eliminated is a subset of children in employment.

Is it the goal of the business to have zero tolerance for child labor *abuse*? For child labor *violations*? Because that is something different than zero tolerance for any child labor. That process asks, “What is best for the business?” But it also asks, “What is best for the children working for the benefit of our business and in our supply chain?”

“The real issue here is not just abandoning your supply chain and kicking out suppliers but working with them to figure out how to mitigate risk,” Hassan said. “You're not just

asking if there is child trafficking or not trafficking in your supply chain, but if there is, how should you address it in a way that is truly human-focused and child-focused?”

Hassan suggested if child labor is identified in a company’s supply chain, a business should work to end future violations but also to bolster support for those child workers. For some child workers, their families depend on the money they earn working.

So, some firms might allow child workers to continue as part of their supply chain but would take steps to ensure all work by children follows the relevant laws in that jurisdiction regarding working conditions, working hours, etc. Consider accommodations, like busing the child workers from their home to work, to school, and home again. Make sure they have a meal before and after their shift. There are dozens of ways to provide beneficial work for children, legally and ethically, Hassan said.

It also might be in the best interest to continue working with a partner, even after an issue with child labor is identified.

“To say, ‘Children are working for you; therefore, we can’t work with you anymore,’ I think is shortsighted,” Hassan said. “Immediately walking away can result in effectively abandoning those child workers, making them even more vulnerable to manipulation and trafficking. Consider, instead, looking at the issue more holistically and seeking solutions that empower child workers to make their lives safer and better.”

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