



CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES INITIATIVE

THE BUSINESS CASE FOR MAINSTREAMING CHILDREN'S RIGHTS INTO POLICY AND ACTION

1. INTRODUCTION

The following is a summary of the research undertaken so far to help the CR&BPI define the business case for companies to take children's rights into account. It first describes efforts made by academia, investors, civil society and UNICEF to define the business case and then discusses possible approaches for the CR&BPI to adopt.

2. EXAMPLES OF 'THE BUSINESS CASE' FROM THE LITERATURE

The business case for taking human rights into account has been written about extensively. Conventionally this is described as: helping companies secure their social license to operate, managing risks, improving reputation and stakeholder relations, retaining and attracting employees, gaining competitive advantage and developing new markets, products and relationships¹. However, a literature review focussing on the nexus between children's rights and business produced few examples of texts which explore directly the advantages for business of having a more explicit focus on children's rights. The following are some examples which did emerge from the literature review:

Crane and Ali describe the business case for taking child rights into account in terms of²:

- managing reputational risk,
- stimulating early brand attachments amongst children and
- attracting a well-motivated work-force through family-friendly policies.

¹ See for example 'Embedding Human Rights in Business' UN Global Compact and UNHCHR at http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html

² Crane, A and Ali, B (2010) Business and Children: Mapping Impacts, Managing Responsibilities, Journal of Business Ethics, Vol 91, No. 4, p 567

In terms of reputational risk, they cite the damage caused to Nike and Primark with regards to exposure of the use of child labour within their supply chains; the impact on Nestlé of its perceived aggressive marketing of breastmilk substitutes and the growing awareness of the marketing of foods which makes children obese in both Northern and emerging markets which is an issue for a variety of companies.

They explore the positive aspects for business of taking children into account. They express this in terms of the potential for stimulating early brand attachments and loyalty amongst children, and potentially generating a lifetime of commitment, whether as consumers, employees, or simply as supportive members of the community: *‘reaching out positively to children can have clear pay-offs for firms that understand how they create value for children across their operations.’*

The outstanding example of a large investor directly focussing on the business case for focussing on children’s rights is the **Norges Bank Investment Management (NBIM) Investor Expectations on Children’s Rights**.³ NBIM is responsible for investing the assets of the Norwegian Government Pension Fund – Global which is one of the largest pension funds in Europe. The Investor Expectations on Children’s Rights are focussed on four areas:

- Preventing corporate action in regard to the worst forms of child labour
- Sustaining the minimum age for labour
- Promotion of children’s welfare (this is explicitly based on the CRC)
- Governance structures.

The Expectations are intended to be used as a reference for responsible investors and as an indicator of best practice by corporations globally. They are directed towards corporations with operations or supply chains in sectors and countries where the exposure to child labour risk is high and serve as *‘a point of departure for constructive dialogue between investors and companies and.....set up a clear standard that companies globally must be expected to live up to.’* They explain why children’s rights should be an issue for investors in the following terms:

‘From an ethical standpoint there are few issues that rank higher in importance than the protection of children’s rights. However, the effort to safeguard children’s rights is also important from a financial perspective.

- *First, boards must carefully, as part of their fiduciary responsibility to their shareholders, consider the economic impact of social issues, including child labour.*
- *Second, poor education and health for the coming generation of workers and consumers provide a weak and inadequate basis for future production and employment, resulting in economic loss for investors and businesses, and increased risk of social instability and unrest.*

³ Norges Bank Investment Management (NBIM) Investor Expectations on Children’s Rights (2008)
<http://www.norges-bank.no/upload/nbim/cg/expectations%20childrens%20rights.pdf>

- *Third, corporate behaviour that harms the rights and health of children distorts the market system in a way that threatens the legitimacy of individual companies, markets, and indeed the global market economy. Measures to increase the moral and legal legitimacy of the market system – through general regulations and company-specific initiatives – are therefore of major importance for global investors with long-term positions. Measures designed to protect the rights and integrity of children must stand at the heart of such a process.*
- *Finally, from an investor perspective, unwillingness to assume corporate responsibility in addressing and combating the exploitation of children may be an indication of weak corporate management in dealing with externalities and risk.’ (NBIM 2008 pp 4).*

In 2002, **Save the Children UK** produced a publication designed to encourage the South African corporate sector to engage more effectively with HIV/AIDS affected children⁴. Although this is a particular issue in a particular country, the arguments in this report have broad application in terms of defining the business case for children’s rights more generally:

- Long term shareholder value is inextricably linked to the ability of a company to respond to society’s priorities including those which impact on children
- Children are significant stakeholders for business since they represent at least 40% of South African’s population
- As young consumers they have significant purchasing power and the ability to act on their own perceptions of company behaviour and products.
- Child poverty creates a drag on business growth in terms of adversely affected future skills pools, smaller and poorer markets, altered profile of clients, customers and consumers, demand for certain products and services will be affected
- Investing in children is investing in the future since childhood is a one-off window of opportunity and development. Many of the social, emotional, economic and developmental losses incurred by children affected by HIV/AIDS cannot be recouped later, unless concerted efforts are made by all actors in society to invest in children’s educational and developmental needs.

The **Argentinean Institute of Corporate Social Responsibility** (IARSE) has developed the initiative ‘Empresas por la Infancia – ExI’ in collaboration with Save the Children Argentina, UNICEF, Fundacion Arcor (ARCOR’s CR foundation) and Molinos Rio de la Plata (a large Argentinean food company). In 2008, ExI developed the publication *How to work for children? A guide for company’s actions for the rights of children*. This aims to encourage small, medium and large companies in Argentina to commit to the development of children and youth in Argentina. It emphasises that companies can play a role both in terms of aligning their core values and activities with child rights as well as in terms of planning and implementing corporate responsibility interventions which focus on realising children’s rights.

⁴ Save the Children UK (2002) *Childhood Challenged South Africa’s Children, HIV/AIDS and the Corporate Sector*

It articulates the business case for mainstreaming children's rights in the following terms:

- *Helps to recognize, manage and inform on social, economic and environmental impacts in order to maximize the shared social benefit.*
- *Pay attention to profitability of intangibles (company reputation) as competitive value.*
- *Promote creativity and innovation minimizing risks and taking advantage of opportunities in the face of environmental challenges and sustainable development.*
- *Contribute to an environment favorable for the development of businesses and society as a whole.⁵*

The most recent endeavour to define the business case was undertaken by UNICEF in 'Children are Everyone's Business: A Work Book on Children's Rights for the Corporate Sector' (Draft Nov. 2010). This expresses the business case as:

Reducing risks: *Are children put at risk by your company's products and its operations, opening the company up to liabilities? Could health, safety and product responsibility safeguards be more effective if they were sensitized to children's interests and vulnerabilities?*

Doing better business: *Could understanding the role of employees, suppliers, customers and neighbours to the business, as children and as parents help your company to do better in its recruitment and retention, productivity and reputation and in securing its license to operate?*

Creating value for children: *Does your business understand how it creates value for children, as customers, and future customers, as users of your products, and as young workers and trainees? Could your business expand its markets or gain competitive advantage if it better served the children in its value chain?*

Contributing to a society fit for children: *Could understanding your business impacts on broader sustainability issues such as water shortage, climate change and biodiversity help you and your stakeholders think for the long-term together? Could understanding and expressing sustainability issues in terms of how they impact on children help to galvanise support for actions that otherwise seem intangible? Could directing community investment towards children help to build a better environment for your business?' (p10)*

⁵ ExI (2008) How to work for children? A guide for company's actions for the rights of children, pp. 21.

3. POSSIBLE APPROACHES FOR THE CR&BPI

The following are suggested arguments that the CR&BPI can build upon to persuade business that it is in their interests to respect and support children's rights:

- a. Contributing to a stable and sustainable future:** It is in no-one's interests to do business in an environment where the potential of future generations of workers and consumers is compromised by child rights violations such as poverty, violence and abuse, a lack of access to health and education and inadequate participation in society. Future sustainability relies in part on nurturing healthy, skilled, well-educated and creative workers and consumers. Business activity that supports and respects the rights of children complies with both national and international laws and thereby promotes the rule of law; furthermore, it can help to build strong, healthy and well-educated communities and durable economic structures.
- b. Improving recruitment, retention, and motivation of work-force:** Providing a family-friendly environment for employees with responsibility for children can improve recruitment, retention and loyalty. Adopting and implementing explicit child rights policies sends a strong and tangible signal internally and externally about what the company stands for; as such it can be a proxy for good overall management of risk which will help in motivating the work-force.
- c. Attracting investment:** For investors, a failure to respect and support children's rights and complicity in child rights abuses can indicate a failure of corporate governance and lack of ability to respond to risk in general. Respecting and supporting children's rights on the other hand can build confidence amongst investors that a business is working actively to mitigate risk. It can also attract investment from the growing socially responsible investment market.
- d. Building good will:** A strong record on child rights builds confidence among vital stakeholders upon whom a company's legal and social licence to operate and future performance may depend. This can include local children, community groups as well as local and international civil society. It also appeals to governments who view responsible business practice as a measure of suitability to operate in their territory. The intangible benefits of nurturing good will might include increased sensitivity to local needs and concerns as well as increased security and competitive advantage.
- e. Reputational risk:** A company's reputation is a magnet to attract consumers, investors, employees, suppliers and other business partners. If a business is hit by a scandal which involves violations of any human rights then this can jeopardise reputation. However, the expectations regarding avoiding complicity in abuse of children's rights are extremely high given that children can be voiceless and more vulnerable to abuse and exploitation than adults. Experience shows that stakeholders will reward companies that 'get it right' regarding children and punish those who get it wrong.
- f. Creating value for children as consumers:** Children are important stakeholders for business as customers and future customers, users of products and employees. As such they have significant purchasing power and the ability and skills to assess when business is not acting in their best interests.