

Where the shoe pinches

Child labour in the production
of brand name leather shoes

**SOMO**

Colophon

Where the shoe pinches

Child Labour in the production of leather brand name shoes

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Authors: Frederike Rijkse, Bart Slob, Sanne van der Wal, Albert ten Kate

Cover layout: Frans Schupp

Cover photo: Souparna Lahiri

Translation: Elvira Willems

Text correction: Sanne van der Wal

Published by:



Centre for Research on Multinational Corporations

Sarphatistraat 30

1018 GL Amsterdam

The Netherlands

Telephone: + 31 (20) 6391291

Fax: +31 (20) 6391321

E-mail: info@somo.nl

Website: www.somo.nl

Funded by: Hivos, India Committee of the Netherlands (ICN), FNV mondiaal



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Summary

This report presents the findings of an investigation into child labour in shoe production chains of international brands which was commissioned by the 'Stop Child Labour – School is the best place to work' campaign and written by the Centre for Research on Multinational Corporations (SOMO). This investigation consists of a literature study, policy research including a questionnaire sent out to shoe companies and field research in India, one of the world's most important shoe producing countries.

The Dutch wear shoes that are manufactured mainly in China, Vietnam, India and Indonesia. Leather shoes of a large number of European producers are manufactured in these countries. Before a leather shoe ends up in a shop in Europe, it has come a long way in a complex supply chain involving various actors in a range of different countries. The working conditions at the beginning of this supply chain are often precarious with people having to work long hours, being paid low wages while being exposed to dangerous chemicals. This chain starts at the farms that provide the cattle hides and continues at the leather tanneries where the hides are turned into leather followed by factories where the leather shoes are manufactured. This process usually takes place in developing countries or other low-wage countries. It is known that children are often involved in the production of leather and shoes in countries including Brazil, China, Vietnam and India. The research conducted by the Centre for Research on Multinational Corporations (SOMO) in India shows that children play a role in the production of leather shoes of well-known international brands intended for the European market. The research in India was carried out in the southern cities of Vaniyambadi and Ambur and in the northern city of Agra as these are considered to be the country's most important shoe producing centres for export.

Shoe manufacturing can be roughly divided into leather production and shoe production. The leather is produced in leather tanneries where the cattle hides are prepared with chemical processes and turned into leather. In this leather tanning process, workers are exposed to potentially dangerous chemicals without adequate protection. As a result they frequently suffer from allergies, skin diseases and bronchial problems. Large leather tanneries sometimes subcontract the work out to smaller tanneries. These smaller tanneries, where health and safety measures in the workplace are often insufficient, employ a relatively large number of children. It is likely that child labour occurs in the supply chain of export oriented companies because subcontracting takes place on a large scale and small leather tanneries are inspected insufficiently.

Similar to the leather tanning sector, work is also subcontracted out in the manufacturing of shoes. The research by SOMO shows that, in India, child labour occurs precisely in these subcontracting chains. This also applies to the production of leather shoes for export. At this stage in the production chain there are roughly three types of shoe manufacturers. First, the large factories that export directly, secondly, the medium-sized factories or workshops that supply shoes to shoe companies (exporters) and, finally, the small-scale workshops that also work for the large factories.

The third category of small-scale workshops also includes the home industry where the work is carried out by families from their homes. The price per piece that is paid to home workers is so low that adult workers often do not make enough money to live on so their children regularly help out to earn a better living. The same goes for the smaller workshops where the owner sets his children to work to reduce the labour costs of adult workers.

The small workshops that were visited as part of the field research generally have work for three to five labourers, depending on the volume of work. This is where the upper parts of the shoes are manufactured and where the soles of the shoes are attached. Children are regularly involved. The workers that were interviewed explained that the skills are passed on from generation to generation. When these labourers were young they were taught by their parents. This is still the case today. The workshops that were visited nearly all supplied to large exporters who, in turn, supplied to European brands. However, child labour also took place in the medium-sized factories with 80 to 100 employees that were visited as part of the field research. Based on the findings of this field research, it can be concluded that child labour is not a rare occurrence in the production of leather shoes for the European market.

One of the major obstacles in checking whether child labour takes place is caused by the fact that a substantial part of the work, both in leather tanneries and in shoe factories, is carried out in the informal sector. According to Indian law, labour inspections are permitted in companies with ten or more employees. This means that child labour legislation is not reinforced in smaller businesses or workshops of home workers. Moreover, if inspections take place on the basis of official company records of the large company, it may well be the case that the activities that are subcontracted out to the informal sector are not monitored. Another factor is the fear of workers of losing their job if it is found out that their children are working with them in the production of shoes, which is why some children and adult workers do not want to cooperate with the investigation. No evidence was found during the investigation that child labour is used by the large export companies. However, it must be said that since 2008, the Indian government has not carried out any inspections in the Vaniyambadi and Ambur regions to establish whether shoe companies are adhering to the legislation against child labour. Insiders suggest that the political and socio-economic influence of the interested parties in the sector have played a role in the absence of any recent inspections.

Child labour in the shoe manufacturing industry, but also in other industries, puts children in a dependent position and can cause major physical and emotional damage. Factors that contribute to the occurrence of child labour in India are: poor labour conditions for adults, not paying the official minimum wage (let alone a "liveable" wage), legislation that is not reinforced properly and the practice of subcontracting work out to smaller workshops (where inspections do not take place). Despite the fact that there is a national law in India that partially prohibits child labour, children continue to work in shoe manufacturing. The study in India also revealed that child labour varies depending on the Indian region in question. In Uttar Pradesh, for example, in northern India, child labour is more structural in nature, partly due to the fact that shoemaking skills are passed down from generation to generation. In the southern region of Tamil Nadu, on the other hand, child labour is more ad hoc as a result of the perceived need to supplement the family income. According to a trade union spokesperson from the leather products industry, who was interviewed as part of the field research, child labour will decrease when companies start paying at least the minimum wage and provide better working conditions.

In the autumn of 2011, policy research was conducted among 21 well-known and important shoe companies selling shoes on the Dutch market. A questionnaire was sent to all of these companies in the Netherlands and other European countries. The most important goal of the research was to identify whether the procurement policy of these organisations is aimed at child labour and corporate social responsibility (CSR). It proved difficult to enter into a dialogue with these companies. Only a few of these companies had a CSR department and/or a CSR policy on their corporate website. It can be concluded from the response of these companies that they are not very willing to share information about their procurement policy. Only two of the 21 companies who were approached responded to our request to complete the questionnaire; Van Haren (Deichmann group) and Timberland. These two companies each have a specific CSR policy including attention for child labour in the supply chain. Following the research conducted by the Centre for Research on Corporate Multinationals, Stop Child Labour conducted a follow-up study that will be presented by the campaign in June when this report is published as well.

Introduction

The Dutch campaign ‘Stop Child Labour – School is the best place to work’ (SCL) has been active since 2003. The campaign is carried out in four European countries by the partner organisations in the Alliance2015 network of European development organisations. In the Netherlands, Hivos, AOb (Dutch Teachers’ Union), FNV Mondiaal, ICCO & Kerk in Actie, LIW (India Committee of the Netherlands) and Stichting Kinderpostzegels Nederland took the initiative for the campaign. SCL works together with more and more organisations worldwide and with local partners in Africa, Asia and Latin America. Hivos coordinates the campaign internationally.

SCL wants to make the problem of child labour visible by focusing its attention on abuses in the chain of products originating in the South, but sold in the North. In doing so, SCL wants to spur on citizens, businesses and policy makers in the Netherlands (and outside) to dedicate themselves to the struggle against child labour. SCL appeals to (Dutch) citizens to consume responsibly, to (Dutch) businesses to be socially responsible and to governments to adopt and effect policies that promote abolishing child labour in the production chain and offer access to formal daytime education to all children up to the age of 15.

In 2010, SOMO did research for Hivos to generate more concrete data on some ‘child-labour-sensitive’ products and to facilitate the choice for a focus product in the period 2011-2015. That research has led to Hivos’s decision to focus primarily on the footwear sector in the campaign of 2012 and 2013.

This report gives information about child labour in footwear production, how the production chains work and how (Dutch) companies’ are involved in them. The aim of the research is to offer SCL departure points for developing a strategic plan for both a public campaign and activities aimed at companies and policy makers. The report consists of three parts: a study of the relevant literature (Sections 1 up to and including 5), a report of field investigations in India (Section 6) and results of research into the policies of footwear companies (Section 7).

Disclaimer

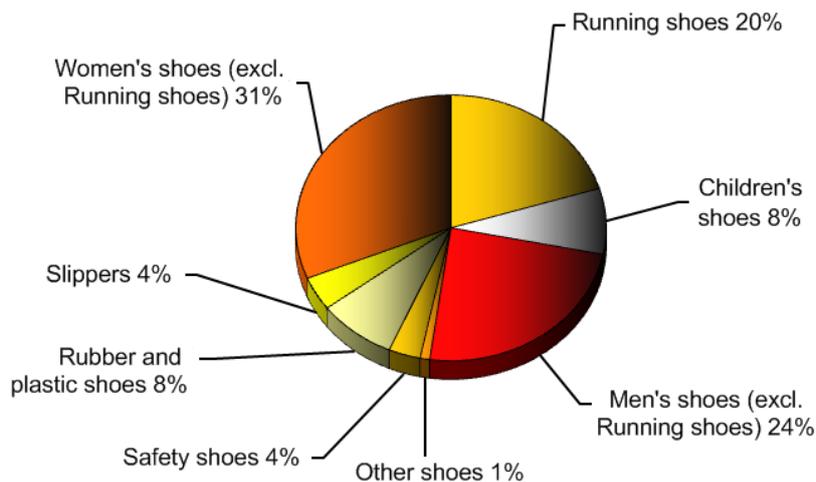
The research this report describes is primarily *technical*. SOMO put the information together for SCL intending to answer specific questions the campaign had about the footwear sector and the role of child labour in it. The answers to all these different questions appear in this report, in addition to accompanying background information and a sketch of the most important trends and developments. Even though this technical report originally was meant for SCL alone, as time has gone by, both SCL and SOMO have felt the desire to make the report public. This arises mostly from SCL’s desire to be able to refer to a document containing more background information in its campaign activities and to make the research results available to a larger group than solely the NGOs involved in the campaign. To improve the readability of this technical report for a larger target group, answers to research questions now appear as much as possible in subject groups and as logically as possible under headings in different sections. Nevertheless, the result is not fully up to the standards SOMO strives to maintain for its own public reports. This would have required a more thorough rewriting than the time at hand allowed.

1 Origins of footwear for Europe and the Netherlands

1.1 The largest producer countries worldwide

Many European brand name footwear companies outsource their leather footwear production to countries outside the EU. A market study from 2009 shows that China produces almost 6 of every 10 shoes sold worldwide.¹ In 2009, it produced 7 billion pairs of shoes, amounting to 58% of the world production. Countries numbers two, three and four in world production were Vietnam (8%), India (7%) and Brazil (6%). In 2009, these four largest producers together were responsible for approximately 80% of all footwear worldwide. The following countries or regions made up a large part of the remaining 20%: Europe (5%, with Italy being 2%), North America (3%), Mexico (2%), Indonesia, Thailand and Turkey. These figures concern numbers of produced shoes, both leather and non-leather, and not with their value. They represent the situation as it was in 2009; we use them due to the lack of actualised market research. Figure 1 shows the relationship between numbers produced and type of footwear.

Figure 1: Relationship of footwear numbers in world production to type, 2009²



¹ IBISWorld, 'IBISWorld Industry Report, Global Footwear Manufacturing', 4 May 2010, <http://www.just-style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

² ibid

1.2 The largest producer countries for the European market

Exporters to the European Member States

Information in Table 1 comes from data in the UN Commodity Trait Statistics Database, showing which countries outside the 27 European Member States (EU-27) export the most footwear, leather and non-leather, including footwear components, in value, to the EU-27. Analysis of Table 1 shows:

- ❑ The four largest exporters from outside the EU to the EU-27 are China, Vietnam, India and Indonesia. China accounts for almost half of the exports to the EU-27. Together, these four account for 75% of the export to the EU-27.
- ❑ Of the total Chinese export of footwear or footwear components, 30% goes to the EU-27. More than half the export from the other three countries among the four largest exporters goes to the EU-27: Vietnam (63%), India (89%) and Indonesia (62%). The EU-27 is therefore a very important client for these four production countries.
- ❑ In 2009, Italy imported the lion's share of the footwear export from countries like Tunisia (66%), Romania (44%), Albania (82%), Bosnia-Herzegovina (69%), Bulgaria (68%), and Serbia (66%).³ Italy sends on a part of this import. The value of this re-export does not appear in UN Commodity Trade statistics.
- ❑ Europe imports relatively little footwear from South, Central and North America in comparison to production there.
- ❑ Due care must be taken when consulting figures of the UN Commodity Trade Statistics Database. There were, for instance, no figures for total export from Cambodia and Bangladesh and some countries exported a greater value to the EU-27 than the EU-27 imported. Nevertheless, the image the table sketches is correct for the larger exporters. Figures for 2010 are still incomplete.

³ UN Comtrade, United Nations Commodity Trade Statistics Database (retrieved 22 July)

Table 1: Largest 20 exporters of footwear and footwear components to the EU-27, in billions of US dollars, for 2009, leather and non-leather.⁴

Exporter number	Country	Export to EU-27	% Import by EU-27	Total export country	% Export to EU-27
1	China	8.4	48%	28	30%
2	Vietnam	2.6	15%	4.2	63%
3	India	1.3	7%	1.5	89%
4	Indonesia	1.1	6%	1.7	62%
5	Tunisia	0.6	3%	0.5	113%
6	Brazil	0.6	3%	1.5	39%
7	Morocco	0.3	2%	0.4	97%
8	Thailand	0.3	2%	0.8	40%
9	Bosnia-Herzegovina	0.3	2%	0.2	111%
10	Switzerland	0.2	1%	0.3	97%
11	Cambodia	0.2	1%	-	-
12	Albania	0.2	1%	0.2	90%
13	Croatia	0.2	1%	0.2	94%
14	Serbia	0.1	1%	0.2	77%
15	Hong Kong	0.1	1%	4.8	3%
16	Bangladesh	0.1	1%	-	-
17	Turkey	0.1	1%	0.3	40%
18	Macedonia	0.1	1%	0.1	108%
19	USA	0.1	1%	0.9	7%
20	Pakistan	0.1	1%	0.1	50%
	Other countries	0.5	3%		
Total export to EU-27		17.5	100%		

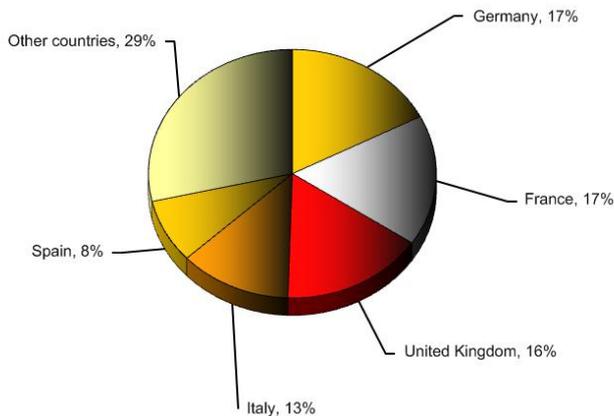
Consumer footwear in Europe

Europe is the largest market for footwear. The continent represents a third of the global market value. In 2008, European consumers bought footwear to an amount of 49 billion euro, which worked out to an average outlay per European citizen of 100 euro, or 4.2 pairs of shoes. Five countries together represented 71% of total European consumption, as the following figure shows. These were Germany (17%), France (17%), the United Kingdom (16%), Italy (12%) and Spain (8%).⁵

⁴ UN Comtrade, United Nations Commodity Trade Statistics Database, 'export of shoes per country to the EU-27 over 2009, code 64', <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=64&px=HS&r=97&y=2009&p=ALL&rg=1&so=9999>> (retrieved 22 July 2011)

⁵ CBI Market Information Database, 'CBI Market Survey: The Footwear market in the EU', May 2010, p. 2.

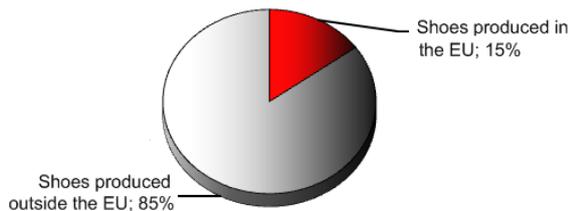
Figure 2: Figures for European consumer footwear in 2008⁶



1.3 Footwear production in Europe

In 2009, Europe accounted for 5% of the worldwide production of footwear. Footwear manufacturers in Europe still dominate the expensive, higher added-value segment of the world market. While some Eastern European regions such as Romania are growing, most of the manufacturers in Western and Southern Europe are having difficulties competing with the import from Asia.⁷ In 2008, the European Union produced 606 million pairs of shoes and exported 178 million. The import by the European Union was 2.4 billion pairs of shoes.⁸

Figure 3: Origin of footwear in the European Union⁹



Italy

In 2009, Italy was the largest European producer with 2% of the worldwide production. It is the second-largest exporter of footwear in the world and it is a market leader in the production of high-priced footwear by renowned designers and brand name footwear names. Many Italian companies have moved their company models and production to areas more favourable to the technicalities of production; some have gone to Eastern Europe, while others have moved to China and a number to India. Between 2004 and 2009, the Italian share of world export fell from 16% to 11%.¹⁰

⁶ CBI Market Information Database, 'CBI Market Survey: The Footwear market in the EU', May 2010, p. 2.

⁷ IBISWorld, 'IBISWorld Industry Report, Global Footwear Manufacturing', 4 May 2010, <http://www.just-style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

⁸ European Commission, Industry and Enterprise, 'Statistics on footwear', <http://ec.europa.eu/enterprise/sectors/footwear/files/statistics/footwear_en.pdf>

⁹ European Commission, Industry and Enterprise, 'Statistics on footwear', <http://ec.europa.eu/enterprise/sectors/footwear/files/statistics/footwear_en.pdf>

¹⁰ IBISWorld, 'IBISWorld Industry Report, Global Footwear Manufacturing', 4 May 2010, <http://www.just-style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

Italian production of footwear accounted for 202 million pairs in 2010, with 167 million pairs for export. The country imported 355 million pairs and exported 221 million pairs.¹¹ The production value was 6.8 billion euro. More than 80% of the footwear was exported to the EU-27 in 2010.¹² For the European market, this makes Italy the footwear producer next largest to China, with an export value of 9.8 billion dollars in 2010.¹³

Many shoes bear a designation: 'Made in Italy'. The question is the extent to which this is true. It occurs very regularly that many steps in the production process of shoes take place outside the country, with solely a finishing touch in Italy. A law is pending in Italy to more narrowly define the appropriateness of the designation 'Made in Italy'. However, this law demands only that some steps in the production process have to take place in Italy. The European Commission has not reached agreement about the law yet.¹⁴

Germany

Germany is the second largest producer of footwear in the EU after Italy. In 2008, its production value was half that of Italy and almost twice that of Spain. In 2008, the German production value amounted to 3.7 billion euro; it produced 193 million pairs of shoes, representing 21% of the value of all EU production. It exported approximately 90% of its total production volume, in other words 171 million pairs. Of the 171 million pairs, 80% was leather.¹⁵

Spain

Spain is the third-largest producer of footwear in the EU, after Italy and Germany. Its production has been falling for some years. Nevertheless, Spain is responsible for more than 13% of all EU footwear in terms of quantity produced (this is 10% of the value). Spanish production of footwear had a value of at 1.7 billion euro in 2008, or 109 million pairs. In 2008, the production of leather footwear made up 76% of the volume (83 billion pairs) and 91% of the Spanish production value.¹⁶

Portugal

Portugal is another large footwear producer in the EU. In 2008, the Portuguese production value was 1.2 billion euro and that represented 61 billion pairs of shoes. Leather footwear dominated production, representing 87% of all production value. More than 90% of domestic production was destined for the export market. Probably this makes Portugal a larger exporter to other EU countries than Spain. The country's most important clients are France, Germany, the United Kingdom and the United States.¹⁷

style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

¹¹ Anci (umbrella organisation Italian footwear industry), 'The Italian footwear industry 2009/2010 – highlights', <[http://anci.arpa92.net/anci/main.nsf/alldocs/D184C8727621EF31C12578AB004E9732/\\$file/Tabella%20Lineamenti%20Principali%202010%20e%20breve%20commento_ANCI.pdf](http://anci.arpa92.net/anci/main.nsf/alldocs/D184C8727621EF31C12578AB004E9732/$file/Tabella%20Lineamenti%20Principali%202010%20e%20breve%20commento_ANCI.pdf)>

¹² Anci (umbrella organisation Italian footwear industry), 'Lineamenti principali di settore: anno 2010', <<http://anci.arpa92.net/anci/main.nsf/all/7F15EE405B56B6D1C12578AB004E7627>>

¹³ UN Comtrade, United Nations Commodity Trade Statistics Database, 'export of shoes by Italy in 2010', <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=64&px=HS&r=381&y=2010&p=ALL&rg=2&so=9999>>

¹⁴ IP Law Galli 'New rules on designations of origin and 'made in Italy' designations', June 10, <<http://www.internationallawoffice.com/Newsletters/detail.aspx?q=d747a5c6-ca79-4208-9410-98c696355c3f>>

¹⁵ CBI Market Survey, 'The footwear market in Germany', May 2010, <<http://www.cbi.eu/marketinfo/cbi/index.php?action=showDetails&id=3706&login=true>>

¹⁶ CBI Market Survey, 'The footwear market in Spain', May 2010, <http://www.coexport.com.sv/web/attachments/219_Spain.pdf>

¹⁷ CBI Market Survey, 'The footwear market in Portugal', May 2010, <http://www.coexport.com.sv/web/attachments/219_Portugal.pdf>

Import of footwear components and leather

Many producers in Italy, Germany, Spain and Portugal have outsourced some of their production to countries with lower wages. The following table shows where the most important European producers purchase their leather uppers. This category has a separate registry in the statistics under code 6406 10 10 (footwear components; uppers and their components; of leather).¹⁸ The EU import of leather uppers amounted to 1 billion euro in 2010. India, Romania and Tunisia are the largest suppliers; they are responsible together for 40% of the import by the EU-27. Italy is the largest importer of leather uppers and its share is more than 40% of EU import. It purchases these uppers primarily from Romania, Tunisia, Serbia and Bulgaria.

Table 2: Import of leather uppers by the EU-27 and the most important European footwear-producer countries; in millions of euro, 2010.¹⁹

Countries exporting to EU	EU-27	% import EU	Italy	Germany	Spain	Portugal	Romania	France	Totals six producer countries	Totals as % of EU-27
India	149	15%	31	32	12	16	0	16	107	72%
Romania	123	13%	97	10	3	0	0	0	110	89%
Tunisia	103	11%	82	1	6	0	1	13	103	100%
Slovakia	79	8%	2	58	0	0	13	2	75	95%
Serbia	60	6%	51	0	0	0	0	0	51	85%
Germany	46	5%	2	0	0	19	9	0	30	65%
Bulgaria	44	5%	41	0	0	0	2	0	43	98%
Italy	40	4%	0	0	0	0	27	0	27	68%
Bosnia-Herzegovina	39	4%	10	15	0	0	1	1	27	69%
Other countries	279	29%	86	57	21	5	8	13	190	68%
	961	100%	402	173	42	40	61	45	763	79%

Many European producers purchase their leather uppers from countries outside the EU. Table 2 shows that India is the country that exports the largest number of leather uppers to the EU. India is also an important supplier of footwear components destined for the European market. The value of this supply amounted to 149 million euro in 2010.²⁰

In 2009, the European Union imported tanned leather from Brazil costing 279 million euro and from India to a value of 120 million euro. These two countries were the largest exporters to the EU.²¹ Seventy per cent of tanned leather from Brazil went to Italy, 7% to Germany and 5% to the Netherlands. Forty-nine per cent of tanned leather from India went to Italy, 15% to Germany, 11% to Spain and 5% each to France, Portugal and the Netherlands.

¹⁸ CBS, Gecombineerde Nomenclatuur XXI-1, 'Hoofdstuk 64; schoeisel, beenkappen en dergelijke artikelen; delen daarvan', p.4, 30 August 2010, <<http://www.cbs.nl/NR/rdonlyres/EA39E827-884A-42ED-BD37-0F1FE5EE4FE1/0/cn11n12.pdf>>

¹⁹ Eurostat, 'Invoer van leeren bovenstukken van schoenen of delen daarvan, door EU-27, Italië, Duitsland, Spanje en Portugal', <<http://estcomep.cec.eu.int:1151/newxtweb/submitopensavedextraction.do?extractionId=4976794&datasetID=DS-016890&keepsessionkey=true>> (retrieved 24 July 2011)

²⁰ ibid

²¹ Eurostat, Statistics on leather, 2005, <http://ec.europa.eu/enterprise/sectors/leather/files/statistics/leather_en.pdf>

1.4 The largest producer countries for the Dutch market

Footwear purchases by inhabitants of the Netherlands

In 2008, the estimated value of the footwear market in the Netherlands was 2.2 billion euro for the retail trade. This figure showed that the Netherlands was responsible for 5% of total sales of footwear in Europe and was the sixth largest European market for shoes.

With respect to volume, the Dutch bought 68 million pairs in 2008, amounting to 4.7 pairs of shoes per capita or an expenditure of 121 euro annually. This exceeds the European average of 100 euro per capita annually, or 4.2 pairs. Dutch consumers, generally, are sensitive to fashion trends, but also want value for money with regard to design, sustainability and comfort.²²

Subdivision of import by the Netherlands into type of footwear

The following table shows the subdivision of import by the Netherlands as to type of footwear. Footwear with leather uppers, the focus of this research, made up 58% of Dutch import in 2010.

Table 3: Subdivision of import by the Netherlands as to type of footwear, 2010²³

Code	Import in millions of euro	%
6401 Outer sole and upper of rubber/synthetic; waterproof	15	1
6402 Outer sole and upper of rubber/synthetic; otherwise	375	18
6403 Outer sole of rubber/synthetic/leather/artificial leather; leather upper	1203	58
6404 Outer sole of rubber/synthetic/leather/artificial leather; textile upper	376	18
6405 Other footwear (can include leather)	72	3
6406 Component parts of footwear (can include leather)	36	2
Total import	2077	100

²² CBI Market Survey, 'The Footwear Market in the Netherlands', May 2010, <http://www.coexport.com.sv/web/attachments/219_The%20Netherlands.pdf>, p.1-17.

²³ CBS Statline, 'In- en uitvoer van goederen, afdeling 12, registratie, Hoofdstuk 64 schoeisel', <<http://statline.cbs.nl/StatWeb/publication/default.aspx?DM=SLNL&PA=71750ned&D1=0-1&D2=0-2%2c6-8%2c11-14%2c17-30%2c32-74%2c77-94&D3=a&D4=l&HDR=T&STB=G2%2cG1%2cG3&VW=D>>, provisional results 2010, retrieved 23 July 2011.

Countries of origin

Table 4 shows the most important export countries for the Netherlands and subdivides into importing footwear with leather uppers and other footwear. An analysis of the table shows the following:

- ❑ The Netherlands imported 219 million pairs of footwear costing 2.1 billion euro in 2010.²⁴
- ❑ The Netherlands imported 66 million pairs of footwear with leather uppers costing 1.2 billion euro in 2010.²⁵
- ❑ Countries that export the most footwear to the Netherlands are China (29%), Belgium (13%), Vietnam (9%), Germany (8%), Italy (8%) and Portugal (7%). Together, they are responsible for 70% of the import of all footwear.
- ❑ Countries that export the most footwear with leather uppers to the Netherlands are China (16%), Portugal (12%), Belgium (12%), Italy (11%), Vietnam (10%), Germany (9%), Indonesia (6%) and India (5%). Together, they are responsible for more than 80% of the import of footwear with leather uppers.
- ❑ Import from Belgium is most likely transit trade into the Netherlands. In fact, Belgium itself produces very little footwear.²⁶ Its largest exporters are China (29%) and Vietnam (15%).²⁷ One example of a company involved in transit trade is Euro Shoe Nederland, the third-largest footwear retail group on the Dutch market (Bristol and Avance shops). It is also active in Belgium, where its distribution office is located and from where the footwear, most of it imported from Asia, goes to the Netherlands. Another example is Nike, with its European distribution centre in Belgium.
- ❑ China is a dominant exporter of other footwear (46%), meaning footwear without leather uppers. It is also the largest exporter of footwear with leather uppers, but by a much smaller percentage (16%), making China a less dominant player on the market for footwear with leather uppers than for footwear in general.
- ❑ Italy, Germany and Portugal are the most important European footwear producers exporting to the Netherlands. It is impossible to derive from the statistics what the proportion of footwear is that goes from these countries to the Netherlands (but which was produced in another country) to the footwear the country itself produces and sells on the Dutch market (noting that the leather and components of this footwear can come from other countries).
- ❑ The Netherlands imported footwear from India in 2010 to a value of 59 million euro, and leather footwear made up 56 million euro of this sum.

Vietnam: key figures for production and export of leather and footwear

Most of Vietnamese footwear production are running shoes. The following well-known footwear brands are active in Vietnam, particularly focused on sourcing: Adidas, Bata, Nike, Timberland, Reebok, Clarks, Puma, Fila, Decathlon, Diadora, New Balance, Cat, Nine West, etc.²⁸

In 2010, Vietnam exported footwear to a value of more than 5 billion dollars and had a production capacity of 730 million pairs.²⁹ Vietnam imports leather and other materials, with the exception of rubber, primarily from Taiwan, Korea, China and Hong Kong. This import is connected with foreign producers active in Vietnam.³⁰ The fact of these producers being active in Vietnam is in its turn connected to the low wages there.

²⁴ ibid

²⁵ ibid

²⁶ CBI Market Survey, 'The footwear market in Belgium', May 2010, <http://www.coexport.com.sv/web/attachments/219_Belgium.pdf>

²⁷ UN Comtrade, United Nations Commodity Trade Statistics Database (retrieved 22 July 2011)

²⁸ Vietnam Export website<<http://vietnamexport.com/Default3.aspx?id=20>>

²⁹ Vietnam Leather and Footwear Association website<<http://www.lefaso.org.vn/default.aspx?portalid=5>>

³⁰ ibid

India: key figures for production and export of leather and footwear

In 2009, India produced 909 million pairs of leather shoes, 100 million pairs of leather uppers for shoes and 1.1 billion pairs of non-leather shoes. Of these, India exported 115 million pairs. This means that almost 95% of its production is destined for its own market.³¹ The total export of leather and leather products (also non-footwear items) amounted to 2.7 billion euro in the year 2008-2009.³² Approximately 45% of all tanneries in India is in Tamil Nadu. Ninety percent of all tanneries in the country is in the states of Tamil Nadu, West Bengal and Uttar Pradesh.³³

Table 4: Share of Indian federal states in export of leather and leather products; 2008-2009³⁴

State and production centres	% export (in value)
Tamil Nadu (Chennai, Ambur, Ranipet, Vaniyambadi, Trichy, Dindigal)	35
Uttar Pradesh (Kanpur, Agra and Noida)	28
West Bengal (Kolkata)	16
Delhi (Delhi)	8
Maharashtra (Mumbai)	5
Haryana (Ambala, Gurgaon, Panchkula and Karnal)	5
Other states	3

Between 2009 and 2010, the most prominent markets for footwear, both leather and non-leather, were Germany, Italy, the United States, France, Spain, the Netherlands, Portugal, the United Arab Emirates and Denmark. These countries together are responsible for 82% of India's total export of footwear.³⁵ Many international brand name companies make use of production facilities in India. Many of these brands are also for sale in the Netherlands, like Ecco, Nike and Gabor.

³¹ Council for Leather Exports website, 'Indian Footwear Industry' <http://www.leatherindia.org/footwear_2010.asp> (retrieved 25 July 2011)

³² Italian Trade Commission, 'Indian Leather & Tanning Industry, Profile 2010', <<http://italiaindia.com/images/uploads/pdf/leather-industry-in-india-2010.pdf>>

³³ ibid

³⁴ Italian Trade Commission, 'Indian Leather & Tanning Industry, Profile 2010', <<http://italiaindia.com/images/uploads/pdf/leather-industry-in-india-2010.pdf>>

³⁵ Council for Leather Exports website, 'Indian Footwear Industry' <http://www.leatherindia.org/footwear_2010.asp> (retrieved 25 July 2011)

Table 5: Import of footwear by the Netherlands in 2010, subdivided into footwear with leather uppers and other footwear.³⁶

Countries	all footwear		with leather uppers (6403)		without leather uppers	
	millions of euro	% of total import	millions of euro	% of total import	millions of euro	% of total import
Countries outside the EU:	1076	52%	543	45%	533	61%
China	598	29%	197	16%	401	46%
Vietnam	192	9%	116	10%	76	9%
Indonesia	99	5%	69	6%	30	3%
India	59	3%	56	5%	3	0%
Hong Kong	40	2%	31	3%	9	1%
Dominican Republic	26	1%	26	2%	0	0%
Brazil	21	1%	13	1%	8	1%
Thailand	21	1%	19	2%	2	0%
Turkey	12	1%	9	1%	3	0%
Bangladesh	8	0%	7	1%	1	0%
EU countries:	945	45%	628	52%	317	36%
Belgium	278	13%	139	12%	139	16%
Germany	171	8%	105	9%	66	8%
Italy	168	8%	129	11%	39	4%
Portugal	146	7%	141	12%	5	1%
United Kingdom	48	2%	31	3%	17	2%
Spain	38	2%	24	2%	14	2%
Romania	30	1%	30	2%	0	0%
France	22	1%	14	1%	8	1%
Poland	17	1%	5	0%	12	1%
Denmark	16	1%	15	1%	1	0%
Czech Republic	11	1%	3	0%	8	1%
Remainder (EU+non-EU countries)	56	3%	32	3%	24	3%
Total	2077	100%	1203	100%	874	100%

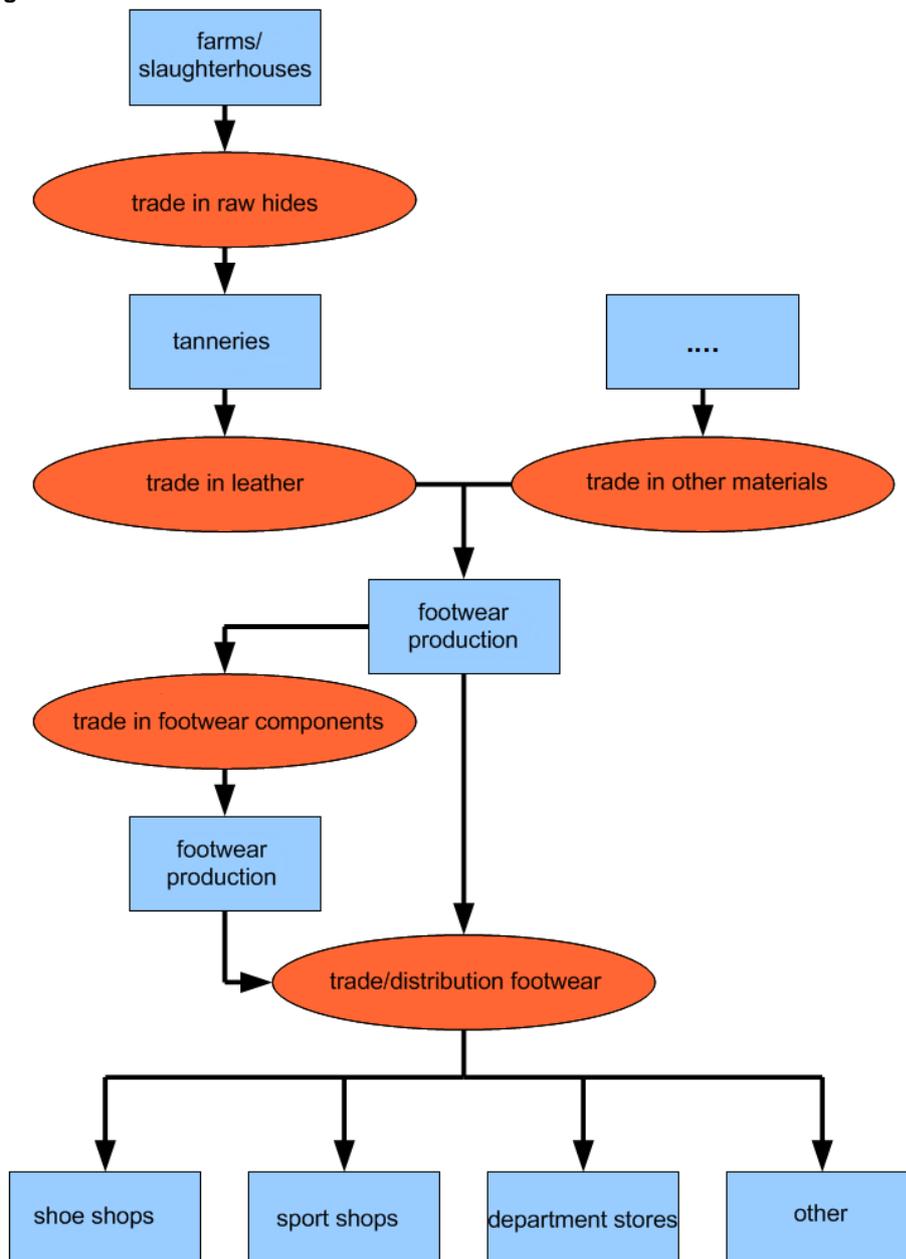
³⁶ CBS Statline, 'In- en uitvoer van goederen, afdeling 12, registratie, Hoofdstuk 64 schoeisel', <<http://statline.cbs.nl/StatWeb/publication/default.aspx?DM=SLNL&PA=71750ned&D1=0-1&D2=0-2%2c6-8%2c11-14%2c17-30%2c32-74%2c77-94&D3=a&D4=l&HDR=T&STB=G2%2cG1%2cG3&VW=D>>, preliminary results (Dutch) 2010, retrieved 23 July 2011.

2 Chain description: from cow to shoe

2.1 Outline of the production chain for leather footwear

Figure 4 shows, in a simplified way, the different steps in the chain that produces a leather shoe. This outline delineates a line of action with which to represent the chain. In practice, transport takes place among the different steps, like cattle transport between farms and slaughterhouses. This transport phase does not appear in the figure so that the outline is clearer.

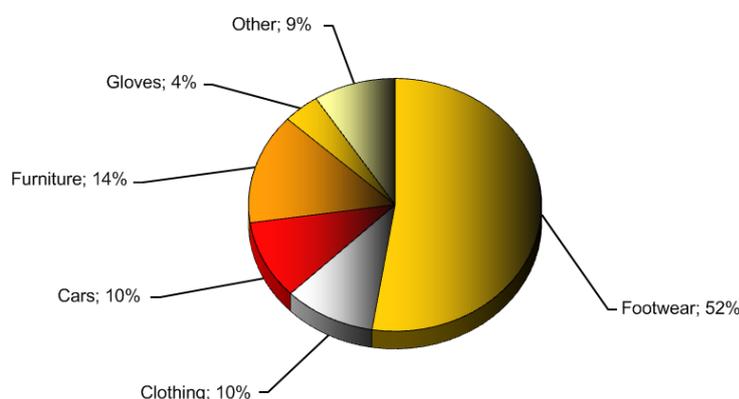
Figure 4: Outline of the chain for leather footwear



2.2 The production of and trade in raw hides and leather

The primary use of leather is to make footwear; 52% of the global use of leather is for footwear.³⁷

Figure 5: Leather use worldwide specified by application³⁸



For all applications of leather, 65% comes from cattle, 15% from sheep, 11% from pigs and 9% from goats.³⁹ In 2009, the largest producers of raw hides by weight from cows, sheep and goats were: China (19%), the United States (10%), Brazil (9%) and India (5% of world production).⁴⁰ The United States is a large exporter of raw hides from all animals. The country exported 554 million kilograms of raw hides in 2009. China was the largest importer of raw hides with 1206 million kilograms, followed by Italy with 274 million kilograms. India and Brazil are self-supplying with regard to raw hides.⁴¹ India uses its own raw hides to produce leather and leather products within the country, which means that, generally, India does not import hides from outside the country. The resulting leather products are partially sold on the Indian market, and partially abroad.

In 2006, the largest producers of leather, and thus the countries where the most leather was tanned were: China (29%), Italy (9%), India (8%) and Brazil (7%). This production is in millions of square meters of leather.⁴² More recent statistics are unavailable at present. Vietnam is not included in the statistics, probably because the country did not submit a report.

For the production of footwear, hides are used that come from cows, goats, buffaloes and sheep. In most cases, the hides used in leather production are a by-product of meat production. Butchers and slaughterhouses slaughter the animals and sell the unprocessed hides to middlemen. These middlemen transport the hides and sell them on to warehouses. The warehouse owners often have employees who clean the hides with water, remove any remaining flesh, cut off the uneven sides and sprinkle the hides with salt to remove excessive moisture. Tanners then come along to inspect the hides, buy them and transport them to the tanneries.⁴³ This process of leather production is largely the same in all producing countries.

³⁷ International Council of Tanners (ICT), 'Leather Statistics and Sources of Information', <<http://www.tannerscouncilict.org/ict%20stats2008.pdf>>

³⁸ ibid

³⁹ ibid

⁴⁰ FAOStat website <<http://faostat.fao.org/site/569/DesktopDefault.aspx?PageID=569#anco>>

⁴¹ ibid

⁴² International Council of Tanners (ICT), 'Leather Statistics and Sources of Information', <<http://www.tannerscouncilict.org/ict%20stats2008.pdf>>

⁴³ Foundation for International Research on Working Children (IREWOC), Anna Ensing, 'Hazardous Child Labour in the

The production of leather involves three sub-processes: preparatory stages, tanning and crusting. The first, the preparation, consists of unhairing, fleshing or removing subcutaneous material, pickling in salts and sprinkling the hide with lime. The second step is the tanning phase that stabilizes the proteins in the unprocessed material so that the hides cannot putrefy. The third step consists of processes like thinning out the hide, rehydrating it, dyeing it, drying it and shining it. Many tanneries produce one of three types of leather resulting from the processes of leather production. Some tanneries using traditional methods produce only leather in the first phase, called 'wet blue'. Tanners lacking their own tannery or lacking capacity to carry out all the production phases pay an amount to use the facilities of another tannery. This can make it difficult to gain insight into production chains because the final product can be made in different locations.⁴⁴

Leather Sector of Dhaka, Bangladesh', January 2009,

<http://www.childlabour.net/documents/worstformsAsiaproject/Ensing_Leather_Bangladesh_2009.pdf>

⁴⁴ ibid

3 Footwear production companies

Ultimately, leather arrives at the footwear producers. They process it by cutting it to size and stitching it together. The tanneries already have coloured and softened it, making it ready for use. The following table shows key figures of footwear production worldwide. Footwear production is not concentrated within some small companies, but spread out over large numbers of producers. According to IBISWorld this has to do with the large amount of work necessary to manufacture footwear. This makes concentration less attractive. The four largest footwear producers, all from China, had solely an estimated 7% of the turnover worldwide in 2010. The top eight most important players in the sector did not reach any higher than 8%.⁴⁵

Table 6: Key figures for footwear production worldwide⁴⁶

Turnover	127 billion dollar
Export	84 billion dollar
Number of employees	7 million
Numbers of pairs of shoes	12 billion

Footwear producers do not restrict themselves to footwear production alone. A few examples:

- ❑ Many footwear producers are, to an extent, vertically integrated. They could also produce leather and other materials needed to make footwear. An example of a corporation like this is the Indian conglomerate of companies, Tata. Tata states that it is the largest producer of leather in India and one of the largest tanneries worldwide.⁴⁷ It also makes a great amount of footwear.
- ❑ Footwear producers can also focus on sales of footwear, via their own shops and/or retail formats. Often the companies have their own trademarks or brand names, arrange their own licences with established brand names and/or help one another in numerous ways to realise better sales by a larger geographical distribution. Generally, producers in developing countries, which are responsible for the lion's share of the global supply, are as yet less active with their own trademarks in Western countries.
- ❑ The Danish family company Ecco controls all steps from tanning the leather to manufacturing the footwear. Additionally, it has its own shops, selling exclusively Ecco footwear.⁴⁸
- ❑ There are also companies the beginning of the production chain that focus on a part of the process, such as making soles or assembling footwear. This is, for instance, the case in the city Timisoara, an important footwear-production centre in Romania.⁴⁹ In 2010, Romania exported leather uppers to Italy to a value of 97 million euro.⁵⁰

⁴⁵ IBISWorld Industry Report, 'Global Footwear Manufacturing', May 2010, <http://www.just-style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

⁴⁶ ibid

⁴⁷ Tata International website, <http://www.tatainternational.com/html/leather_fashion.html>

⁴⁸ Ecco website, <<http://www.eccocorporate.com>>

⁴⁹ A. Ferloni, UvU 2010, Who is making your shoes? The localisation of footwear production networks in Timiș County, Romania, <<http://igitur-archive.library.uu.nl/student-theses/2010-1001-200320/Andrea%20Ferloni%20Master%20Thesis.pdf>>

⁵⁰ Eurostat, 'Invoer van leeren bovenstukken van schoenen of delen daarvan, door EU-27, Italië, Duitsland, Spanje en Portugal', <http://estcomep.cc.cec.eu.int:1151/newxtweb/submitopensavedextraction.do?extractionId=4976794&datasetID=D_S-016890&keepsessionkey=true> (retrieved 24 July 2011)

3.1 Western shoe shops and wholesale trade

Larger retailers that lease or own hundreds of shoe shops are likely to purchase non-brand name footwear or footwear of an unknown brand directly from Asian footwear producers. The discounters among the retailers sell relatively fewer shoes of well-known brand names. Every retailer must purchase brand name footwear from the company with that trademark. Generally, smaller footwear chains will do their purchasing from a wholesaler and/or purchasing combination. Wholesalers/agents exist in different types. Some, like Hengst shoes in the Netherlands, sell only footwear; others, like the German giant ANWR, also provide service/advice to retailers on how best to keep their shoe shops running. In Germany, Deichmann has the most shoe shops; in England that is Marks & Spencer.⁵¹ Section 7 of this report provides a summary of the most important Dutch players.

3.2 Players and their influence within the chain

There are influential players within the footwear chain; they subdivide into the following categories of companies. We also mention the ways in which they do their sourcing and sales and therefore exert influence on the chain. The first is the category of shoe-shop chains. These companies, generally, purchase directly from the producers. Next, there are Western brand name companies like Nike, Adidas, Geox, Ecco and Timberland. These outsource production to Asia and are popular because of their image and the ongoing advertisements. Retailers are therefore keen to sell these brands. The third are the wholesalers/buyers' combines. The larger their purchasing volume, the larger their purchasing power and therefore the larger their ability to exercise influence. The last category consists of large footwear producers. Their primary task is to ensure that their production process, including outsourcing, is socially responsible and does not damage the environment. These producers are much closer to the problems in the footwear chain, meaning they can influence the process more easily. The first three categories of companies determine and/or negotiate with producers about important conditions, like product specifications (for instance model, material etc.), unit price, delivery dates and other purchasing conditions. These may or may not include social conditions.

3.3 Supervision of working conditions

In some cases, certainly in the case of important footwear trademarks like Ecco, Timberland and Geox, the companies focus extensively on chain management.⁵² One aspect of this is to fine-tune and control the entire production process with all suppliers. In addition, large companies of this type use inspections and audits to oversee compliance with purchasing terms or local and international legislation, sometimes executed by independent parties, as in the case of Clarks⁵³, Timberland⁵⁴ and Ecco⁵⁵. Test Achats has done research showing that a formal and public labour policy is rare among footwear companies. Standards linked to the ILO are more common, however.

⁵¹ Euromonitor, 'Clothing and Footwear: Trends, Developments and Prospects', October 2009, <<http://www.ryerson.ca/~rmichon/mkt731/reading/Industry%20Reports/Clothing%20and%20Footwear%20Global%20Trends.pdf>>, p. 48.

⁵² Ecco A/S – Global Value Chain Management, Ivey Management services, <http://sid.decon.unipd.it/materiale8/Belussi_materiali_Knowledge/Ecco_final.pdf>

⁵³ BLC Leather Technology Center website, Client Testimonials, no date, <<http://www.blcleathertech.com/about-blc/testimonials.htm>>

⁵⁴ Timberland website, Corporate Responsibility, Factory Assessments, 2010, <<http://www.mytimberland.com.my/cr/workplaces-factory-assessments.asp>>

⁵⁵ Ecco website, Corporate Responsibility, no date, <<http://eccocorporate.com/index.php?id=80>>

Most companies focus on health and safety issues and now and then a company will have a policy addressing child labour in the chain.⁵⁶ For a more extensive description and evaluation of these initiatives, please see the United Nations Industrial Development Organization (UNIDO)⁵⁷ manual called 'Making private standards work for you'.

Fair Labor Association

Some multi-stakeholder initiatives publish the inspections that have taken place in various factories. One of the best examples is the Fair Labor Association (FLA), established in the US. This is a non-profit organisation dedicating itself to eliminating poor working conditions in factories worldwide. It has a Code of Conduct, based on the conventions of the International Labour Organization (ILO). Presently, 32 brand name companies take part, including a large number in the footwear branch: Adidas, Asics, Crocs, Nike, Puma and Reebok. Each participant subjects its own production facilities to unannounced inspections. In 2009, companies affiliated to FLA were active in 4202 factories, with a total of more than 4 million employees. FLA carries out external audits, of which there were 120 in 2009. These audits are published on FLA's website.⁵⁸

Business Social Compliance Initiative

In addition to FLA, a series of other initiatives exists. The Business Social Compliance Initiative (BSCI) is an initiative of European companies that dedicate themselves to improving working conditions in the global chain of supply.⁵⁹ To do this, they use several uniform monitoring standards in areas of retail, industry and importers. Deichmann and Scapino, among others, are affiliated to the BSCI.

Social Accountability 8000

Social Accountability 8000 (SA8000) is a voluntary standard based on ILO and UN conventions.⁶⁰ SA8000 focuses on social issues and audits can be carried out by independent parties. Timberland is one of the companies that is affiliated to SA8000.

Leather Working Group

The Leather Working Group (LWG) was developed to promote sustainability in the leather sector.⁶¹ The LWG has developed a protocol for leather producers, which includes checks on compliance, particularly environmental aspects. The LWG consists of tanners, brand name companies, retailers and other players in the value chain of leather. Clarks, Geox, Adidas and Nike are some of the companies affiliated to the LWG.

TFT

TFT is a worldwide non-profit organisation that helps companies and communities develop sustainable products.⁶² The Leather & Shoe Group of TFT focuses primarily on issues in the supply chain of leather products and footwear. TFT's way of working is to map sustainability risks in the value chain and provide technical assistance to producers.

⁵⁶ Test Achats, Social Responsibility of Leather Shoe Brands, Summary of the Desk research and Field Investigations in Brazil and India, January 2012 <<http://www.test-aankoop.be/ethisch-consumeren/leren-schoenen-struikelen-over-ethiek-s751263.htm>>

⁵⁷ UNIDO, Making private standards work for you, 2010, <http://www.unido.org/fileadmin/user_media/Uploads/Documents/UNIDO_%20Guidelines_web.pdf>

⁵⁸ Fair Labor Association, Tracking Charts', <<https://www.fairlabor.org/fla/go.asp?u=/pub/zTr4>>

⁵⁹ BSCI website, <<http://www.bsci-intl.org/>>

⁶⁰ SA8000 website, <<http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937>>

⁶¹ LWG website, <<http://www.leatherworkinggroup.com/about/background.htm>>

⁶² TFT website, <<http://www.tft-forests.org/product-groups/pages/?p=6278>>

3.4 Chain analysis from the financial point of view

From time to time, the distribution of value in product chains is analysed in order to study power relationships within these chains. Distribution of value in the different phases of the footwear chain depends, among other things, on combined factors like power, influence, expertise (see further in this section), type of product (fashionable women's shoes or standard men's shoes), the market segment (exclusive or knock-down prices) and geography. The calculation of the breakdown of costs of a product or the distribution of value in the chain varies according to these factors. It is good to keep this in mind when interpreting figures under discussion in this paragraph; remember too that they originate from differing sources.

Generally speaking, the margins will be lower in the various phases of large-scale production in developing countries like China or Vietnam. Fashionable women's shoes, due to the necessity of quick orders and supply, tend to be produced closer to the sales outlet. Exclusive shoes, for which the level of finishing plays an important role, will tend to be produced, at least in part, in more developed countries. In both cases, the margins will be higher. Higher margins do not automatically mean more profit or better working conditions in the form of higher wages. For instance, in Eastern European countries, where a part of the production of this segment takes place, costs, including wages that producers must pay, often are higher.

Distribution of value in the footwear chain

Table 7 shows an example of a value distribution that assumes the situation of footwear produced in developing countries and sold in the EU. Phases without bold lettering are phases of value addition. This example assumes a scenario with low margins of 30% and 45%, respectively, for the importer/wholesaler and retailer calculated on the purchase price of these links in the chain (13% and 26% of the consumer price). However, these margins can easily rise to 40% and 75%, respectively.

Table 7: Value distribution in the footwear chain⁶³

Cost item	% of consumer price
Material	11%
Labour costs	11%
Diverse costs (packaging, promotion etc.)	7%
Cost price	29%
Margin of exporter/supplier (costs and profit)	10%
Export price (FOB)	39%
Import levies	2%
Other costs (transport, insurance)	4%
Price in port of destination (CIF)	44%
Margin importer/wholesaler (costs and profit)	13%
Wholesale price	58%
Margin retail trade (costs and profit)	26%
Price excluding VAT	84%
VAT	16%
Consumer price	100%

⁶³ CBI Market Survey, 'Footwear market in the EU', May 2010, http://www.ipex.iccm.es/www/download/GuiasyObservatorios/gscalzado/gscalzado/docs/footwear_cbi.pdf

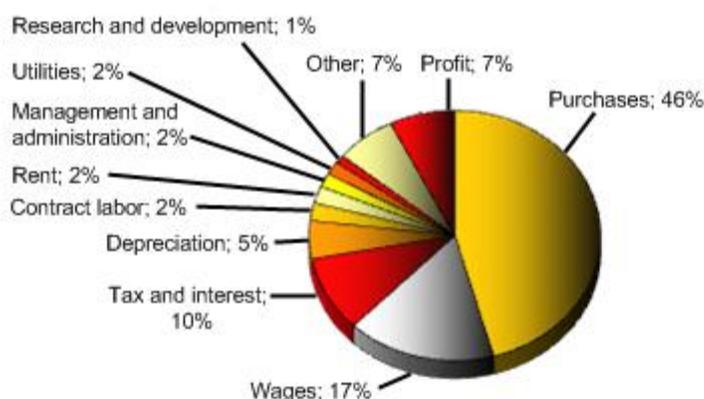
Cost structure of footwear producers

IBISWorld did a cost study in 2010 that provides insight into the costs of the average footwear producer worldwide (see Figure 6 as well). The study shows a fall in the relative labour costs from 24% in 2001 to 18% in 2006 and includes prognoses of these being 17% of turnover in 2010.⁶⁴ The alleged reason for this was that producers continue to strive for more production in countries with low labour costs. Now that wages are rising in China, producers are looking for other locations with lower wages, like Vietnam, Brazil and India, according to IBISWorld.

The study states that the industry is and will remain rather labour-intensive. An important labour-intensive component of production is the cutting and sewing of materials. These steps in the production process are difficult to automate as yet.

The 17% for labour from Figure 6 has to do with personnel working on the production line in their own factories. The posts *Contract labour*, *Management and Administration*, *Research and Development* and *Other* (for instance dyeing and processing, advertising and promotion, insurance and freight costs) also include labour costs. The most important cost component is purchasing the materials; these include leather, natural or synthetic rubber, synthetic components, filling and cushioning materials of foam, nylon, canvas, polyurethane film, packaging, buckles and laces. Naturally, labour is involved in the purchase price of these materials, labour like tanning the leather, for instance.⁶⁵ While the actual cost makeup of a shoe on a shoe-shop shelf (Table 8) and the producer's cost (Figure 6) varies as to company, segment, country of origin and chain, it is worth noting that the estimation of material costs is significantly higher and labour costs lower with IBISWorld than with CBI.

Figure 6: Cost structure of the average footwear producer⁶⁶



According to research by the Clean Clothes Campaign in 2004, quoted by Consumers International in 2009, workers' wages in footwear producers' factories amount to as little as 0.4% of the price in the Netherlands in shoe shops.⁶⁷ A quick calculation from available data gives a higher percentage for wage costs as a part of shoe-shop price.

⁶⁴ This has to do with the *turnover*; these figures must not be confused with the percentages of consumer price from Table 7.

⁶⁵ IBISWorld, 'IBISWorld Industry Report, Global Footwear Manufacturing', 4 May 2010, <http://www.just-style.com/store/samples/2010_IBISWorld%20Global%20Style%20Sample%20Industry%20Report.pdf>

⁶⁶ *ibid*

⁶⁷ Consumers International, 'Running costs, How do some of the leading international running shoe brands score when it comes to people and the planet?', June 2009, <<http://www.consumersinternational.org/media/105607/realdealrunningshoes-finalfinal300609.pdf>>

If a Chinese producer sells footwear for 16%⁶⁸ of the shop price in the Netherlands and solely factory-personnel wages cost the producer 17%⁶⁹ of the sales price, around 3% of the shop price goes to wages for factory personnel. The figures are only indications, but wage costs may differ because it is more labour-intensive to produce leather footwear than running shoes.

Import and shop prices

The average import and shop prices (see Table 8) in the Netherlands show that the margins in different stages in the chain and in different types of chains can differ significantly. This means that the import price can sometimes be only a ninth of the shop price (leather shoes from Vietnam in the Bijenkorf). At the other end of the scale (footwear that Scapino produces in Italy), the sales price is as little as 25% higher than the import price. Both these extremes are theoretical only. The research did not establish these facts and, in the two examples cited, it is improbable that the footwear of these companies actually would have been produced in the places mentioned. What is more likely is that there will be a connection between the segment the footwear belongs to and wage costs in the country where the footwear originates, meaning producing the cheapest footwear in the least expensive production countries. Conversely, it is likely, but less certain, that the most expensive footwear comes from countries with higher wage costs.⁷⁰

Table 8: Import and sales prices⁷¹

	Average price in euro	
	Import	Shop
Import of footwear with leather uppers by the Netherlands in 2010		
Vietnam	12	
China	13	
India	13	
Indonesia	14	
Portugal	25	
Belgium	25	
Germany	27	
Italy	32	
Leather men's shoes in a Dutch shop (store check 2009):⁷²		
Bijenkorf		110
Sacha		80
Scapino		40

⁶⁸ See Table 8.

⁶⁹ See Figure 6; this figure refers to all sorts of footwear, both leather and running shoes.

⁷⁰ Analysis by SOMO authors.

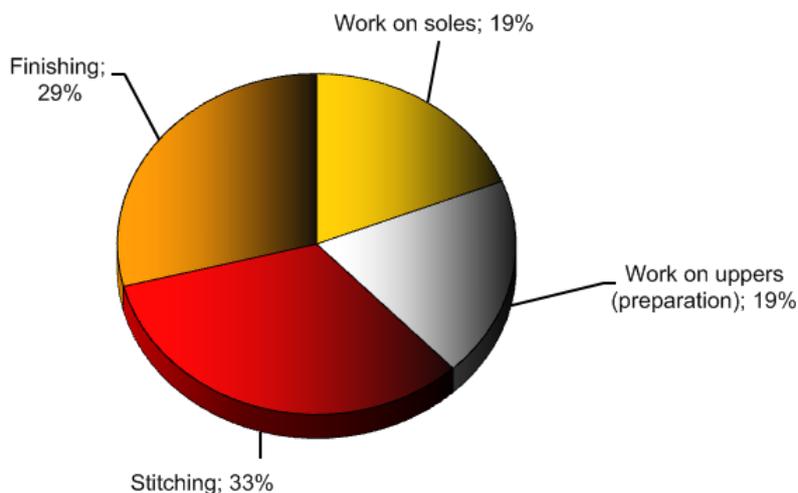
⁷¹ CBS Statline, 'In- en uitvoer van goederen, afdeling 12, registratie, Hoofdstuk 64 schoeisel', <<http://statline.cbs.nl/StatWeb/publication/default.aspx?DM=SLNL&PA=71750ned&D1=0-1&D2=0-2%2c6-8%2c11-14%2c17-30%2c32-74%2c77-94&D3=a&D4=l&HDR=T&STB=G2%2cG1%2cG3&VW=D>>, preliminary results 2010, retrieved 23 July 2011.

⁷² CBI, Footwear market in the Netherlands, May 2010, <<http://www.cbi.eu/marketinfo/cbi/?action=showDetails&id=3719&login=true>> (17 March 2011).

Labour costs in different phases of shoe production

Various sources give data on labour costs in different phases of shoe production. However, the relative costs in these phases in different countries vary greatly, as do definitions or categorisation of the tasks, making comparisons between different studies problematic.⁷³ Figure 7 shows relative labour costs of different tasks making up the total factory price of a women's shoe in Jordan.

Figure 7: Relationships between labour costs in footwear production⁷⁴



Piecework prices in India

Research in India shows that payment for practically all footwear-production work is based on piecework.⁷⁵ Excepted here are employees in larger footwear factories. The use of extensive division of labour in the form of production lines does not lend itself easily to piecework prices. In comparison to wages of employees in more informal sectors, wages in factories with production lines are higher, at least the national minimum-wage level. In addition, employees have rights to company-paid healthcare insurance and a pension plan. Monthly income in this industry varies from approximately 40 to 63 euro for skilled work and 27 to 40 euro for unskilled labour. The following table summarises wages for piecework for different activities involved in footwear production and shows the average daily production and resulting daily income in euro for independent workers working from home in India.

Research done in India shows wage levels in the informal sector varying from 80 rupees (1.18 euro) to 125 rupees (1.84 euro) per day. In exceptional cases, workers receive 150 rupees (2.21 euro) when they operate machines that require more skills. These wages lie far below the established minimum wage for the footwear industry in Tamil Nadu, one of the two provinces where the investigation took place. The piecework wage in the informal sector lies between five and 10 rupees (0.07 euro and 0.14 euro) per stitched upper. Workers in the informal sector, including those who supply export companies, often do not receive the minimum wage.

⁷³ Unido, 'Production Costs in Footwear Manufacture', 11 December 2000, <<http://www.unido.org/fileadmin/import/userfiles/timminsk/leatherpanel14schmelcosts.pdf>> (17 March 2011).

⁷⁴ Footwear info line three website, Global Footwear Analysis and Jordan, 2004, <http://footwearsinfoinethree.tripod.com/global_footwear_analysis_and_jordan.pdf> (17 March 2011).

⁷⁵ S. Sarkar, 'A Case Study of Footwear Industry in India', 2009, <<http://www.ihndia.org/Formal-and-Informal-Employment/Paper-4-A-Case-Study-of-Footwear-Industry-in-India.pdf>> (17 March 2011).

Table 9: Survey of piecework prices in euro for different activities in footwear production in India⁷⁶

Activity	Piece price		Daily production		Daily income	
	low	high	low	high	low	high
Cutting	0.05	0.06	50	70	2.37	4.43
Flat stitching on uppers	0.13	0.19	30	40	3.80	7.59
Three-dimensional work on uppers, forming and stitching	0.08	0.08	40	60	3.16	4.74
Gluing/assembling	0.08	0.11	40	50	3.16	5.54
Finishing	0.03	0.05	50	60	1.58	2.85

⁷⁶ S. Sarkar, 'A Case Study of Footwear Industry in India', 2009, <<http://www.ihindia.org/Formal-and-Informal-Employment/Paper-4-A-Case-Study-of-Footwear-Industry-in-India.pdf>> (17 March 2011).

4 Footwear production: working conditions and the environment

4.1 Working conditions

Working conditions in the footwear sector are often poor. Generally, workers are unskilled or have rudimentary skills; wages are low. Footwear is a labour-intensive product and there are many different steps in the labour process. The production of leather shoes is comprised of different phases and in each phase there are specific problems, varying from health problems for workers to environmental damage. In the production of leather footwear, there is a large distinction between leather production and the footwear production. Usually boys do the activities taking place in the tanneries. Boys dominate the production of footwear as well, although there are also women and girls who assemble shoes (like in Tamil Nadu in India; see Section 6 for field investigation in India). Generally, girls tend to work in other sectors like the clothing sector.

Acquiring leather

The often mentioned issues requiring attention in this phase are problems with animal welfare. The focus is on transport of animals to and treatment of animals in slaughterhouses, primarily in Brazil and India. In Brazil, the cattle sector is responsible for 80% of deforestation of the Amazon region. Child labour is also present in slaughterhouses in Brazil and in some African countries.⁷⁷

Tanning phase

Tanning leather is known to be one of the most polluting activities in the world. Wastewater from tanneries can include large amounts of acids, salts and heavy metals, especially chromium. Pollution by tanneries can cause illnesses and health problems, can pollute agricultural ground and can seriously disrupt living conditions for animals and plants in the water. Exposure to chemicals of all sorts, especially chromium, makes workers in tanneries more susceptible to cancer and the chemicals also imply increased risks of problems with their respiratory systems and skin.⁷⁸

Footwear production phase

Certain illnesses are more widespread than usual in the production of shoes. Exposure to the dust that comes from pieces of leather mixed with chemicals, can lead to leukaemia and lung cancer. Exposure to the components of glues also threatens health. Exhaustion due to overtime is another problem that can result in dangerous situations on the work floor.⁷⁹ In addition, child labour is a real problem. The following section focuses on child labour.

⁷⁷ Test Achats, Social Responsibility of Leather Shoe Brands, Summary of the Desk research and Field Investigations in Brazil and India, January 2012 <<http://www.test-aankoop.be/ethisch-consumeren/leren-schoenen-struikelen-over-ethiek-s751263.htm>>

⁷⁸ ibid

⁷⁹ ibid

Homework

Thousands of homeworkers, the majority female, make components of leather shoes for a middleman, agent or subcontractor. They work for low wages and under poor working conditions. Homeworkers have been identified in Europe, Latin America and many countries in Asia. They most often assemble the upper part of the shoe, either by hand or with a sewing machine. Homework is a way for employers to reduce costs: wages are low and often based on piecework, employers pay no social premiums, and overhead costs are lower because homeworkers pay their own rent, electricity, machines and maintenance costs. Homeworkers have no guarantee at all of employment and, if employers have no orders, they do not have to pay their personnel or begin a dismissal procedure.⁸⁰

Wages

Usually, workers in the footwear-producer's factory do not earn a decent wage. Such a wage would ensure them their basic needs, like food, shelter, transport, clothing, healthcare and small personal expenses.⁸¹ The footwear industry subcontracts many activities as piecework to the informal sector. There are 340 million employees in the non-organised sector in India without any social security whatsoever, including the Minimum Wage Act 1948.⁸² People doing piecework in the footwear sector in India earn much less than legal minimum wage, at least in Kolkata (West Bengal).⁸³

Overtime

Workers in factories can be forced to do obligatory overtime when factories are under pressure to supply large orders within a short period during the high season. Purchasers can cancel their contracts with suppliers due to missed targets and so managers do their best at any cost to deliver orders on time, sometimes regardless of the way in which this happens. In China, for instance, the competition within footwear production is very high and the workers, primarily women, sometimes work more than 24 hours at a stretch to complete an order, for very low wages.⁸⁴ SOMO commissioned research in India that shows that overtime also takes place in the work locations researchers visited; workers received no pay for the extra hours they worked.

Health and safety

Working in footwear production often compromises health and safety of workers. Glue and other chemicals are used a lot during different steps in the production process. In high quantities, these organic solvents can lead to respiratory problems, headaches, dizziness and problems with vision. Homeworkers often work in small, badly lit spaces, have direct skin contact with chemicals and breathe in fumes from the glue. They also breathe in leather dust and benzene, a solvent in glue. Very often workers have respiratory problems, lung illnesses and skin infections from exposure to glue and fumes over long periods. Risks of cancer, nerve damage and other physical complaints are high in this sector.

Breathing in fumes from glue has the same effect as doping a person, causing poor concentration and other effects similar to drug use.⁸⁵

⁸⁰ Homeworkers Worldwide, campaign brief 'Who foots the bill? Decent work for homeworkers in the leather footwear industry', March 2008, <[Http://www.whofootsthebill.org/wp-content/uploads/final-briefing-paper.pdf](http://www.whofootsthebill.org/wp-content/uploads/final-briefing-paper.pdf)>

⁸¹ ibid

⁸² Global March against child labour, 'National floor level minimum wage in India', 2009, <<http://www.globalmarch.org/news/020211.php>>

⁸³ S. Sarkar, 'A Case Study of Footwear Industry in India', 2009, <<http://www.ihindia.org/Formal-and-Informal-Employment/Paper-4-A-Case-Study-of-Footwear-Industry-in-India.pdf>>, p. 18.

⁸⁴ Homeworkers Worldwide, campaign brief 'Who foots the bill? Decent work for homeworkers in the leather footwear industry', March 2008, <[Http://www.whofootsthebill.org/wp-content/uploads/final-briefing-paper.pdf](http://www.whofootsthebill.org/wp-content/uploads/final-briefing-paper.pdf)>

⁸⁵ V. Bonnetterre et al. 'Sino-nasal cancer and exposure to leather dust', in *Occupational Medicine* (2007), Vol. 57, pp. 438–443.

The ILO mentions the following risks of working in tanneries: dangerous dyes, solvents and other chemical products, fumes and sharp tools. The following health undermining effects can occur: chemical poisoning, lung damage, asthma, bronchitis, skin rashes, bladder cancer and anthrax infection.⁸⁶ Tanning is dangerous work in all aspects. A study among children working in tanneries registers 80% as having interrupted sleep, more than half wounds (from falling, chemical accidents and burning), almost 30% serious stomach complaints from involuntary assimilation of dangerous chemicals, in particular acidic compounds. In addition, while none of the children who were not at work mentioned wetting the bed, 6% of working children did; this is a sign of psychosocial stress.⁸⁷ A literature study from 2007 about the relationship between exposure to leather dust and nasal cancer reported in four of the five case-control studies an increased risk of nasal cancer among workers in tanneries. Given the fact that children and young adults are at a critical stage of their development, the risk for them of developing cancer through exposure in tanneries would be significant.⁸⁸

Trade unions

Trade unions are indispensable for collective bargaining about clear improvements in working conditions. Workers in China encounter problems regularly in this area. Factory management often refuses to negotiate with trade unions or simply ignores their existence, even though the government enacted the new Contract Labour Law in 2008 to give trade unions more say.⁸⁹ In addition, trade union leaders often are victims of intimidation or dismissal and no legal protection exists to which they can appeal. In China, for instance, governments exert strict control over trade unions and workers involved in trade union activities are often imprisoned. China Labor Watch did research among footwear workers that showed that many different problems exist.⁹⁰ In the six factories it visited, wages were lower than the legal minimum wage and work took place under unhealthy circumstances. Additionally, factory management appointed the chairman of the trade union and several workers were unaware that trade unions existed. In India, trade unions have lost power, among other things, because of the increasing informalisation of the labour market. In the informal sector, where a large part of footwear production takes place, representation by trade unions has always been poor and the unions' efforts sabotaged in large measure. This means that only a fraction of the total labour market of 400 million employees is organised.⁹¹

Quoted in: ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know, What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang--en/index.htm>

⁸⁶ ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know, What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang--en/index.htm>

⁸⁷ S. Awan: Hazards faced by young workers in textile, garments and leather goods sectors in Pakistan (Lahore, Pakistan, Centre for the Improvement of Working Conditions & Environment, 2007). Quoted in: ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know, What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang--en/index.htm>

⁸⁸ V. Bonnetterre et al.: 'Sino-nasal cancer and exposure to leather dust', in *Occupational Medicine* (2007), Vol. 57, pp. 438–443. Quoted in: ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know, What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang--en/index.htm>

⁸⁹ G. Dyer, 'China's labour law raises US concerns', Financial Times, 2 May 2007, <<http://www.ft.com/cms/s/0/09d35e16-f8c4-11db-a940-000b5df10621.html#axzz1Q6trA7Hd>> (23 June 2011).

⁹⁰ Reebok's Human Rights Standard and Chinese Workers' Working Conditions, <<http://www.chinalaborwatch.org/pro/proshow-114.html>>

⁹¹ J. Zimmerman, Labour Law: Trends and Practices in China <<http://www.flis.org/uploads/documents/Zimmerman.pdf>>

4.2 The environment

Many international sportswear brands, like Nike and Adidas, do business with producers in China that discharge poisonous chemicals into rivers upon which millions of people depend for their drinking water and fish. Greenpeace flagged this controversial practice in July 2011 in its publication of the report 'Dirty Laundry'. The report showed how these companies contributed to polluting Chinese lakes and rivers. No specific data has been found about the leather footwear sector in connection with environmental damage in China, but this is no reason to assume that footwear companies are more cautious with the environment or that environmental legislation is stricter for these producers. After all, the brand names Greenpeace identifies, like Adidas, Nike and Puma, produce both clothing and shoes. Therefore, it is probable that similar problems also arise within shoe production in China and in other countries, for instance through the use of chemicals in tanneries which can cause environmental damage. Tanning damages the environment due to the streams of waste effluent released during the different tanning phases. These effluent streams consist of fluids, solids and released gases which can cause air pollution. Moreover, the process uses large amounts of energy, water and chemicals. The chemicals, mainly chromium sulphate and chromium salts, pollute water and sediments. Many countries forbid the use of chromium salts due to their carcinogenic effects.⁹²

4.3 Survey of discovered abuses

The following paragraphs give examples of abuses at differing companies in clothing and footwear production:

Yue Yen

The Play Fair 2008 campaign did research into conditions at Yue Yen, the world's largest footwear producer, revealing that employees have to work for extremely low wages and that their rights are regularly violated. Yue Yen has production facilities in China, Indonesia and Vietnam. The workers complain of the following: forced and excessive overtime, severe disciplinary practices and verbal abuse, sexual intimidation, poor health and safety standards and repression of the trade union.⁹³

ZARA in Portugal

In 2006, there were accusations that fashion chain Zara, part of the Spanish Inditex, was using child labour for footwear production in Portugal. The issue was said to be related to the stitching of the inner work of shoes from the Zara summer collection on sale in places including Portugal. The case received a reasonable amount of media attention, internationally as well. The company started an investigation with the aid of national trade unions, among others. A press release from the company regarding the case stated that the investigation was unable to prove any cases of child labour. On the other hand there was clearly a situation within this industry that involved a great deal of stitching in less well controlled and controllable, but legal homework situations. In this specific case, a homeworker was said to have allowed his children to help him with the stitching.

⁹² Zaplog.nl website, Bangladesh: giftig leerlooien voor goedkoop schoeisel, <http://zaplog.nl/zaplog/article/bangladesh_giftig_leerlooienvoor_goedkoop_schoeisel>

⁹³ Play Fair 2008, report 'Clearing the Hurdles: Steps to Improving Wages and Working Conditions in the Global Sportswear Industry', April 2008, <http://www.playfair2008.org/docs/Clearing_the_Hurdles.pdf>, pp. 35 - 40.

Kingmaker Footwear Holdings Ltd.

Kingmaker Footwear Holdings Ltd is in the hands of Taiwanese owners and has approximately 20,000 employees in China and Vietnam. One factory is located in the Changle Industrial Zone in the city Zhongshan in China's Guangdong province. In 2005, 4700 people worked in this factory, 80% of them young women.⁹⁴ The NGO China Labor Watch did interviews with employees that revealed many abuses related to working conditions. Workers in the Kingmaker factory have working days of 13.5 hours, with only a break of 2.5 hours for both lunch and dinner together. Chinese labour law provides that workers may not work any longer than 40 hours a week and may do no more than 36 hours of overtime a month. These numbers are much higher in the Kingmaker factory and workers do not receive proportionate pay. Every worker receives 55 cents (US) for each pair of shoes that he or she produces. Research shows that the worker receives a basic wage of 31 cents per hour, but that as little as 19 to 24 cents per hour remains of this after subtraction of some deductions and fines. The factory also persists in the illegal practice of retaining a month's wages if the worker resigns. On top of this, there are the poor conditions under which the workers work. Many workers work with chemicals without protection like gloves or other adequate safety measures. Health facilities and insurance, and maternity leave⁹⁵ were non-existent.

Environmental problems in China

As mentioned earlier in Section 4, Greenpeace did research into the pollution of Chinese lakes and rivers by branded clothing producers.⁹⁶ It showed clothing producers who supply international brand name clothing were responsible for some of the pollution of the surface water. This appeared to be the case in more than 70% of all rivers, lakes and water reservoirs. Pavel Klinckhamers, the campaign leader for toxic substances at Greenpeace Netherlands, says that Adidas and Nike like to appear to be green and socially responsible companies, but they are doing too little to protect the people and the environment in the surroundings of the clothing factories against the damaging substances released during the production of their clothing. Even though Chinese legislation is rather limited regarding the discharge of these substances, Chinese suppliers sidestep even the few rules that exist by discharging their effluent at night.⁹⁷

Greenpeace says that companies such as Adidas, Converse and Nike, all footwear brand names, have used Chinese factories that pollute. In spite of these companies' existing CSR policies, they do not adhere to any policy that makes available a total overview of chemicals used in the entire production chain.

⁹⁴ China Labor Watch, 'Kingmaker Footwear (Timberland made in China)', December 2004, <<http://www.chinalaborwatch.org/pro/proshow-119.html>>

⁹⁵ China Labor Watch, Kingmaker Footwear (Timberland made in China), December 2004, <<http://www.chinalaborwatch.org/pro/proshow-119.html>>

⁹⁶ Greenpeace Nederland, 'Greenpeace hangt vuile was buiten van Nike en Adidas', 13 July 2011, <<http://www.greenpeace.nl/press/Persberichten-2011/Greenpeace-hangt-de-vuile-was-buiten-van-kledingmerken-zoals-Nike-en-Adidas>> Report Dirty Laundry (in Dutch): <<http://www.greenpeace.org/international/Global/international/publications/toxics/Water%202011/dirty-laundry-report.pdf>>

⁹⁷ Greenpeace Nederland, 'Greenpeace hangt vuile was buiten van Nike en Adidas', 13 July 2011, <<http://www.greenpeace.nl/press/Persberichten-2011/Greenpeace-hangt-de-vuile-was-buiten-van-kledingmerken-zoals-Nike-en-Adidas>> Report Dirty Laundry (in Dutch): <<http://www.greenpeace.org/international/Global/international/publications/toxics/Water%202011/dirty-laundry-report.pdf>>

5 Child Labour in the leather and footwear sectors

5.1 Introduction

Global image of child labour

The International Labour Organization (ILO) of the United Nations estimates that there are 215 million child workers worldwide. These children are classified as child workers because they are under the minimum age for work or because they are above that age, but doing work that threatens their health, their safety or the public decency, or they are subject to forced labour. The number of child workers fell by 3% between 2004 and 2008. Just above half of all child workers does dangerous work. The number of children within this category has fallen by 10%. Of the 215 million child workers, the largest part comes from the Asian-Pacific region (53%), followed by sub-Saharan Africa (30%), Latin America and the Caribbean (7%), and then other regions (10%).⁹⁸

The US Department of Labor's list

Annually, the Department of Labor of the US government publishes a list of goods, which are exports to the United States, that are produced with the help of child labour and/or forced labour. According to this list, children work in footwear production in India, Indonesia, Brazil and Bangladesh, while forced (adult) labour takes place in footwear production in China. In Indonesia, children are involved primarily in the production of sandals. Child labour takes place in leather production in Bangladesh and Pakistan. In India, child labour is taking place in the production of leather goods and accessories as well. The report that contains this list states that insufficient information was available from several countries to establish whether child labour or forced labour is used. These countries include Vietnam, Tunisia and Morocco. All three are active in leather and footwear production.⁹⁹

Dangerous work according to the ILO

According to the ILO perhaps as many as 7%, or approximately 14 million, of the estimated 250 million child workers has dangerous work within the production sector. The footwear industry and the tanneries are important categories within the so-called production sector. However, these are also workplaces where the consequences of exposure to danger only become obvious as time goes on. In the innumerable small-scale industries like footwear production, tanneries, clothing production in sweatshops, car-battery recycling, metal or woodworking, effects on one's health only become apparent some years down the line.

The ILO states that the general public could become alert to abuses surrounding child labour occurring in factories that multinationals own or to which they are linked. However at the same time it states that these reports remain oblivious to the full dimensions of the problem. The most dangerous circumstances often occur in the thousands of small-scale operations of suppliers of producers for local markets. In many cases, children work at home on piecework with a parent or guardian.¹⁰⁰

⁹⁸ ILO/IPEC, 'Accelerating action against child labour - ILO Global report on child labour 2010', May 2010, <<http://www.ilo.org/ipecinfo/product/viewProduct.do?productId=13853>>

⁹⁹ US Department of Labor's Bureau of International Labor Affairs, Office of Child Labor, 'Forced Labor and Human Trafficking. US Department of Labor's List of Goods Produced by Child Labor or Forced Labor', December 2010, <<http://www.dol.gov/ilab/programs/ocft/pdf/2010TVPRA.pdf>>, p. 25.

¹⁰⁰ ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know,

Characteristics of child labour in leather and footwear production

Many footwear producers subcontract work to third parties. These third parties use a great deal of child labour and/or ignore other labour rights. There are differing sorts of situations within which work takes place in this outsourced chain for footwear (see the case study for India as well). One is homework. In homework, most workers receive wages for piecework and the family must supply production quantities so high that children have to help if the family is to earn more than the minimum wage.

Most children working in the leather sector in Asia have moved from the country to the city. In country areas, families often have economic problems due to debts or having lost their agricultural land. There is a distinction between boys and girls who move with their families to the city and boys who move on their own. The expectation of children who move on their own is that they take care of themselves and hand over a part of their income to their family. These boys usually end up at the tanneries or factories where they also have a place to sleep. The children who work in the leather sector come, generally, from very poor families that need the children's salary to supplement the household budget.¹⁰¹

The nature of child labour in the footwear sector is the same in many countries. Countries where children are active producing footwear share some of the following aspects:

- ❑ Many children do dangerous work, in other words, work which is physically or emotionally damaging to children. In footwear production, the damage is in any case physical. However, the child's dependent position in workplaces/factories can lead to significant emotional damage too.¹⁰²
- ❑ Extreme poverty plays an important role, but often is not the exclusive reason for child labour. The lack of properly functioning education is just as important. Child labour often forms part of a vicious circle in which parents receive little pay, because there are sufficient 'cheap' children available. This thinking definitely plays a role in largely informal sectors like footwear production. Other contributing factors are marked population growth, unemployment of adults, bad working conditions, lack of a minimum wage, exploitation of employees, a low standard of living, weak legislation or inadequate enforcement of existing laws, poor functioning of and/or defective capacity of authorities and, last but not least, traditional arguments favouring child labour, such as the conviction that children should help in the family enterprise.¹⁰³
- ❑ There is a direct link between child labour and education. Approximately half of all elementary-school children in Bangladesh leaves school before reaching the last class.¹⁰⁴ The quality of public education is often low and, while there often is awareness of how important education is, many illiterate parents lack any experience of or confidence in it and the indirect costs of schooling like transport, books and uniforms can severely burden the family income.
- ❑ Often the expectation is that children must help their parents in work they do; there is a long-standing conviction that children inherit the occupation of parents who have a workplace, meaning they take over the footwear production. This was obvious during research SOMO commissioned in India; in several cases children were learning skills from their parents.

What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang--en/index.htm>

¹⁰¹ The Newsletter, Anna Ensing, 'Leather gloves and tiny fingers', No.54, summer 2010, <http://www.childlabour.net/documents/worstformsAsiaproject/IIAS_NL54_10%5B1%5D.pdf>

¹⁰² ILO website, 'India', 15 October 2009, <<http://www.ilo.org/legacy/english/regions/asro/newdelhi/ipecc/responses/india/index.htm>> (15 June 2011).

¹⁰³ ILO website, 'Bangladesh', 26 October 2009, <<http://www.ilo.org/legacy/english/regions/asro/newdelhi/ipecc/responses/bangladesh/index.htm>> (15 June 2011).

¹⁰⁴ ibid

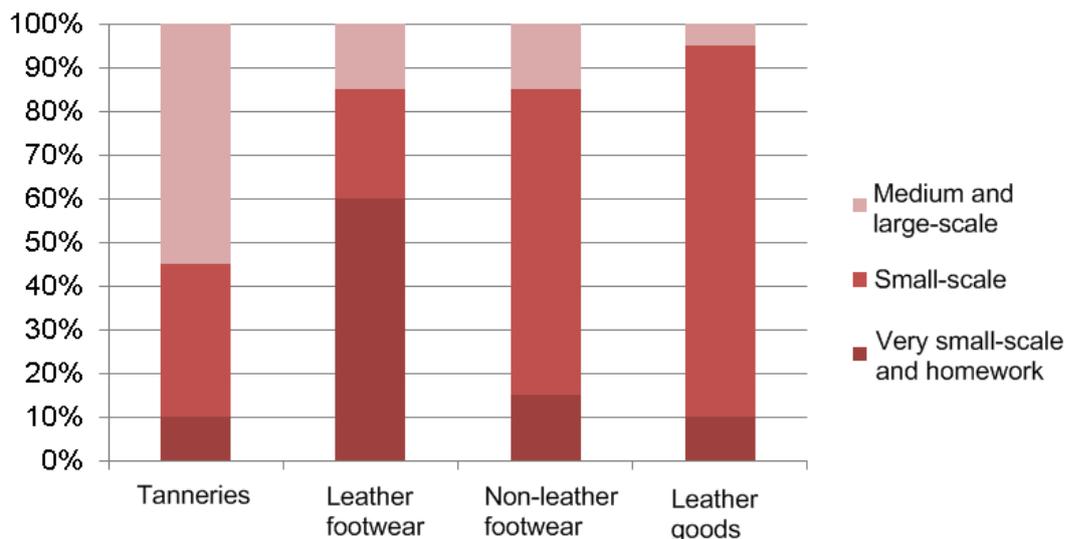
- ❑ The countries have very restricted means with which to offer vocational training and the quality of existing education is not always adequate.¹⁰⁵
- ❑ Differences exist in legislation that targets child labour in the different countries and often the existing legislation is complied with, or only partially.

5.2 Child labour in the informal sector

The production of leather shoes in the informal sector divides roughly into homework, small-scale and medium-scale production. Extremely small-scale production or homework often takes place in the living room of households or in small workplaces. It is difficult to provide an exact figure for the number of homeworkers in footwear production. An example from India (see Figure 8) indicates that 60% of the production of leather shoes takes place at home within the family or at very small-scale production locations. Tanneries, however, are larger scale operations: 55% of the tanneries falls under the category of medium-large or large companies.

Child labour is a widespread practice in the informal sector where production activities take place within families at home or in small workplaces. Production work taking place at home often leads to child labour, especially when the head of the family purchases raw materials and does the work with the help of the whole family.¹⁰⁶ Child labour in the context of homework takes place both in urban and rural areas. If a family moves from the country to the city, children can just pick up their production activities within the home together with their parents. Child labour also takes place in families or small workshops in the country. Families receive leather from the tanner or from a middleman and receive pay for making leather products at home.

Figure 8: Small-scale and large-scale leather and footwear production in India¹⁰⁷



¹⁰⁵ ILO, International Programme on the Elimination of Child Labour (IPEC), report 'Children in hazardous work, What we know, What we need to do', 10 June 2011, <http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_155428/lang-en/index.htm>

¹⁰⁶ UNICEF, The Subterranean Child Labour Force: Subcontracted Home Based Manufacturing in Asia, November 2002 <<http://www.unicef-irc.org/publications/pdf/iwp96.pdf>>

¹⁰⁷ S. Damodaran & P. Mansingh, Centre for Education and Communication (CEC), 'CEC Working Paper, Leather Industry in India', 2008 <http://www.cec-india.org/images/stories/pdf/CECWork_paper/Leather%20Industry%20in%20India.%202008.pdf>

5.3 Child labour in tanneries

Child labour is mainly used by tanners who lease a tannery. The children, almost always boys, do manual work in all three leather-production phases.¹⁰⁸ Children in the first phase of the production process usually work as assistants; they carry out orders of adults and help where necessary. After sprinkling the leather with lime, children pull the leather out of large vats with tongs. If these vats leak, it is the children's task to stop up the openings with remnants of leather. This manual processing of leather clarifies why children are not often found in large-scale production. Transporting many large hides of leather is simply too heavy for children, so adults do this with rickshaws.¹⁰⁹

During the unhairing of the animal hides, children soak the leather.¹¹⁰ Another often occurring task for children is drying the leather on the roof or in the tannery. The third phase involves chemical reactions that take place in machines. In less mechanised tanneries, the children dust the leather off with a cloth and dye it by hand. Subsequent to dyeing, the leather has to be dried in the same way as in phase two. Children sort the final products as to size or quality to prepare them for sales. Apart from the activities directly related to footwear production, the children function in many ways as 'assistants', for instance by fetching chemicals or ordering necessities.¹¹¹

The tanning of leather is a dangerous activity that takes place in unhealthy surroundings. Hides are tanned in huge vats filled with chemicals. Children working in tanneries often go barefoot through these chemicals or spill chemicals on their skin when removing the hides from the vats. Accidents occur when children and adults lose their footing on the slippery work floor and, in the worst case, fall into the vats filled with chemicals. A great deal of contact with these compounds can cause allergies and skin complaints. Skin ulcers can develop due to contact with chromium salts and this can lead to permanent skin damage and erosion of the nasal septum.¹¹²

Figure 9 shows the incidence of risk of child labour in leather production in Bangladesh. The value chain the figure shows begins in the slaughterhouse, where the chance of child labour is small. In practice, leather hides come from cattle on livestock stations and farms. The chance of child labour exists there too because children must look after the animals.

¹⁰⁸ The Newsletter, Anna Ensing, 'Leather gloves and tiny fingers', No.54, summer 2010, <http://www.childlabour.net/documents/worstformsAsiaproject/IIAS_NL54_10%5B1%5D.pdf>

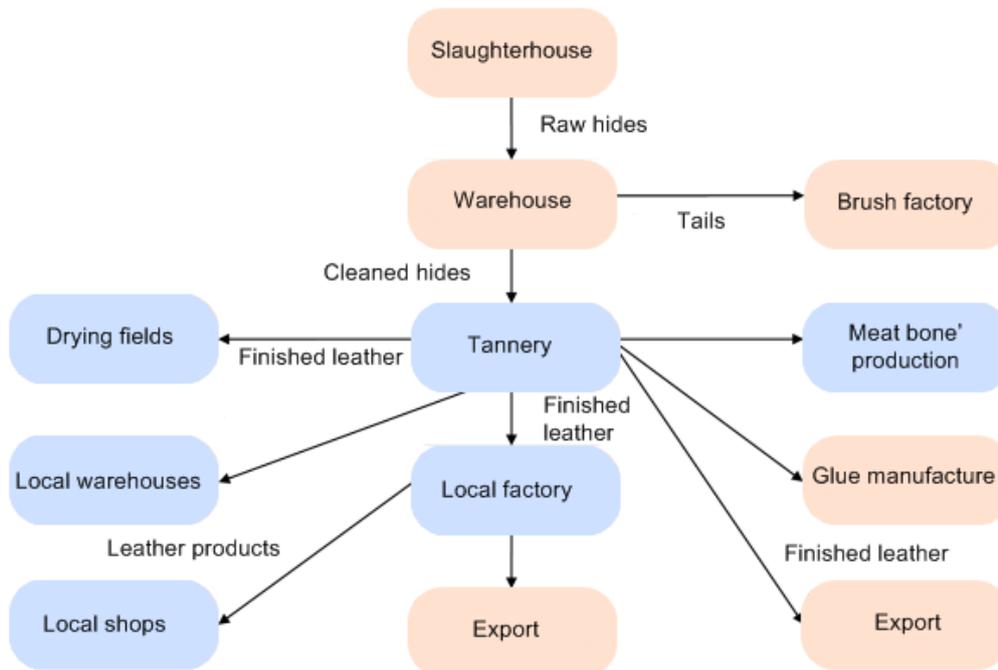
¹⁰⁹ Foundation for International Research on Working Children (IREWOC), Anna Ensing, 'Hazardous Child Labour in the Leather Sector of Dhaka, Bangladesh', January 2009, <http://www.childlabour.net/documents/worstformsAsiaproject/Ensing_Leather_Bangladesh_2009.pdf>

¹¹⁰ ibid

¹¹¹ United States Department of Labor website, 'Leather Footwear', 1997, <<http://www.dol.gov/ilab/media/reports/iclp/sweat4/leather.htm#Top>> (24 May 2011).

¹¹² A. Pandey, Leather and Tanning presentation, no date, <<http://www.docstoc.com/docs/68087961/Leather-and-tanning-Occupational-health-hazards>>

Figure 9: Risk of child labour in leather production in Bangladesh (blue)¹¹³



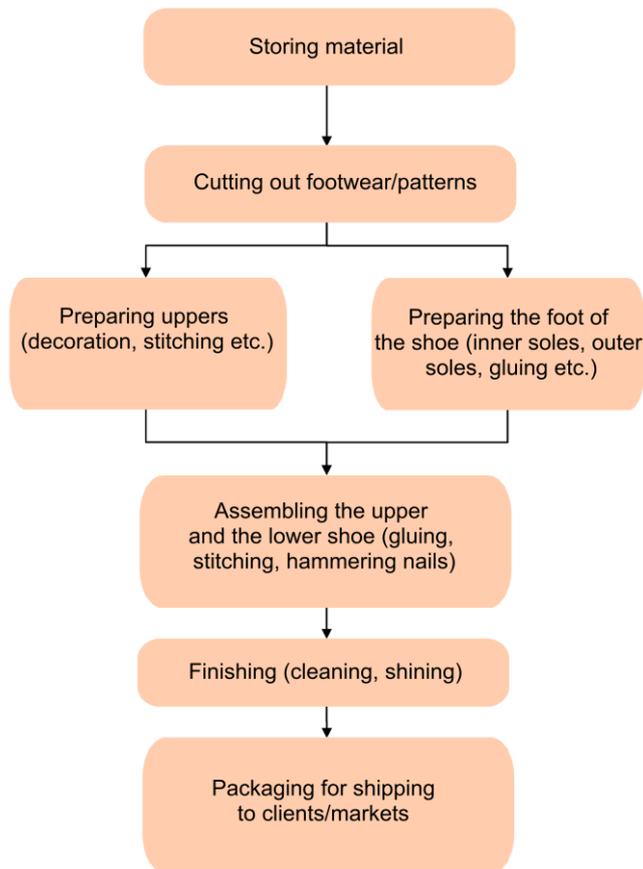
5.4 Child labour in footwear production

Generally, footwear production can be subdivided into the following processes: making moulds, cutting out patterns, cutting out uppers in leather, making soles from leather or plastic, bringing together the upper and the sole and finishing steps like shining and packaging. Each of these activities implies health risks, particularly for children. These risks are caused by physical factors such as bad lighting, noise, poor ventilation and exposure to chemicals like benzene in the glue and other solvents.¹¹⁴ Often long periods of working with these components lead to respiratory problems, lung illnesses and skin infections. The glue has the effect of drugging the children. If they combine work with school, then they do school work under the influence of drugs and this has effects like concentration problems. Generally, children work in small workplaces or at home.

¹¹³ Foundation for International Research on Working Children (IREWOC), Anna Ensing, 'Hazardous Child Labour in the Leather Sector of Dhaka, Bangladesh', January 2009, <http://www.childlabour.net/documents/worstformsAsiaproject/Ensing_Leather_Bangladesh_2009.pdf>

¹¹⁴ R. Tiwari, 'Child labour in footwear industry: possible occupational health hazards', Indian Journal of Occupational and Environmental Medicine, April 2005, vol. 9, issue 1, <<http://medind.nic.in/iay/t05/i1/iayt05i1p7.pdf>> (24 May 2011).

Figure 10: Activities children carry out in informal/small-scale footwear production



An example from India from 1996 describes activities children carry out in footwear production:

'The slum was a miserable place. The amount of rubbish from the production – leather, plastic and rubber – indicated that a significant amount of footwear was being produced. The children do not produce complete shoes, but parts of them. Children were seen cutting out heels with saws, cutting the uppers of women's shoes from pieces of leather, adding brand names to the insides of shoes and sandals, sewing uppers to soles with sewing machines, pushing inner-sole patterns out of hides, cutting out leather, rubber and wooden soles and transporting completed products to wholesale merchants. Children did each step in the production process. Their workdays began at five or six in the morning and lasted until 10 or 11 in the evening. The children did not receive a salary; instead of this their parents received a sum of money when their child was taken away.'¹¹⁵

¹¹⁵ Human Rights Watch, 'The small hands of slavery. Bonded Child Labour In India', 1996, <<http://www.hrw.org/legacy/reports/1996/India3.htm>>

Another quote from research by Human Rights Watch agrees with SOMO's research findings in India:

'Even though some factories, particularly larger enterprises in the 'leather belt' of Tamil Nadu, maintain good working conditions, many problems occur in leather production. Child labour and forced labour are visible particularly in small-scale workplaces at home where people take on work that large companies subcontract. Subcontractors circumvent checks under the Factories Act by employing small numbers of people and claiming that child workers are members of the family.'¹¹⁶

Children work in footwear production in Bombay as well. A quote follows from the same research:

'Thousands of children make footwear in the slums of Bombay. They make sandals, moccasins, leather shoes for men, women and children and parts of footwear for the export market. These children work in small workplaces, each having between three and five children at them, particularly boys. They come from the small villages in Rajasthan where footwear production is a traditional occupation among several castes. The children work for ten months a year and return home to their parents' house for two months. This work cycle begins at approximately seven years of age and lasts around ten to fifteen years, until they reach marriageable age.'¹¹⁷

5.5 Weak areas in the process of monitoring child labour

There are different initiatives in the footwear and leather sector concern themselves with monitoring child labour. They were described in section 5. However, some issues make child labour on a large scale difficult to monitor. The following paragraphs address the challenges at the beginning of the chain, in the production countries.

Child labour in tanneries

Children carry out a large number of tasks in tanneries. However, there is not always a clear separation between production in local and export-oriented tanneries. It is common for large-scale leather producers and exporters to have their own tannery, factory and sales points. The owners of export-oriented tanneries, generally, are aware of the negative image of child labour and its possible consequences for their export practices. Interviews with employees reveal that owners of tanneries often meticulously mislead inspectors. They may do this by sending off the children who look as if they are under 18 when the inspectors, many of them local, come to carry out an inspection.¹¹⁸ Another way in which the large tanneries can get around the accusation of child labour is to outsource a part of the production process to other small tanneries that are not certified. Most children work for independent tanneries that are lacking well made machines with protective devices, high-quality chemicals and safety measures. Numbers of investigations show that most child labour takes place in the informal tanning sector and the less visible workplaces. Additionally, there is no way of excluding the presence of child labour in the production chain of export-oriented companies, given the commonness of defective inspections and subcontracting further on in the chain.¹¹⁹

¹¹⁶ ibid

¹¹⁷ ibid

¹¹⁸ Foundation for International Research on Working Children (IREWOC), Anna Ensing, 'Hazardous Child Labour in the Leather Sector of Dhaka, Bangladesh', January 2009, <http://www.childlabour.net/documents/worstformsAsiaproject/Ensing_Leather_Bangladesh_2009.pdf>

¹¹⁹ S. Butler, 'Surveys of conditions in foreign workplaces easily fooled', The Sunday Times, 24 March 2007, <http://business.timesonline.co.uk/tol/business/industry_sectors/retailing/article1560566.ece> (24 June 2011).

Specific inspection problems

As mentioned above, one of the largest obstacles in monitoring child labour is the fact that the work takes place largely in the informal sector, both in the tanneries and in footwear production.¹²⁰ If inspections take place based on official company data, the chance is large that solely a part of the activities in the sector is subject to inspection. Given that most child labour takes place in small-scale workplaces, it is difficult for inspectors to carry out legal investigations at the homes of the workers. The law in many countries provides that, when people live and work at the same location, the chief resident must grant permission before anyone may enter the house. In other cases, workers do not understand why inspections take place, or are afraid of agreeing to them. Another problem lies in the fact that child workers and/or their parents sometimes do not want to cooperate with investigations, making it difficult for inspectors to carry out adequate checks on child labour.

5.6 Child labour in countries that produce for the Dutch market

Most important producer countries

The following is a summary of what could be found about child labour in leather and footwear production in the most important countries that produce for export to the Netherlands:

China

In 2005, information became public about the presence of child labour at a Kingmaker Footwear Holdings factory, of which Timberland was a client. The NGO, China Labor Watch, interviewed employees who said that children aged 14 and 15 worked at the factory, even though Chinese law forbids this. These children used false or borrowed proof of identity, making it difficult during control to establish that they were under age.¹²¹ The closed nature of the Chinese political system and the lack of statistical data make it difficult to acquire reliable information about child labour in the footwear sector. According to the International Programme on the Elimination of Child Labour (IPEC), child labour is more prominent in the southern coastal cities, particularly because this region has expanded rapidly. The fact that child labour probably occurs relatively less often in China than in other Asian countries is explained by the large number of adults that has work, the one-child policy and the fact that practically all children go to elementary school. Just as in surrounding countries, child labour more often takes place within families or at small workplaces. In April 2011, there was a public admission that nine Vietnamese, of whom one was 17 and the others older, had to work in a leather footwear factory in Fujian province in China under abominable circumstances, analogous to slavery.¹²²

Vietnam

The footwear industry, along with the clothing industry, is the largest export sector. In 2005, 580,000 people were at work in the footwear sector. In recent years, foreign investments in the footwear sector have grown strongly, as has the number of small-scale workplaces, including the home. This means that a larger informal sector has come into existence in footwear production.¹²³

¹²⁰ ILO-IPEC, The Role of Labour Inspecting in Combating Child Labour, 17-21 September 2001, <<http://ilo-mirror.library.cornell.edu/public/english/protection/safework/labinsp/harare.pdf>>

¹²¹ ibid

¹²² T. Tre, '2 Vietnamese 'slaves' escape China, recount tales', 18 April 2011, <<http://tuoitrenews.vn/cmmlink/tuoitrenews/society/2-vietnamese-slaves-escape-china-recount-tales-1.28097>>

¹²³ Centre for Development and Integration, Trade liberalisation and its impact on leather footwear and garment industries in Vietnam, June 2006, <http://www.cuts-citee.org/tdp/pdf/Case_Study-Trade_liberalisation_and_its_impact_on_leather_footwear_and_garment_industries_in_Vietnam.pdf> (24 February 2011).

A report from the US government's Department of Labor mentions insufficient available information from some countries to be able to establish the existence of child labour or forced labour. Vietnam is one of these countries.¹²⁴ In April 2011, six children aged 14 and 15 were freed from a situation comparable to slavery in a sewing factory in Ho Chi Minh City; it is unclear whether they were working on footwear or garments.¹²⁵

India

In spite of the existence of national laws that forbid child labour (partially), children continue to work in footwear production in India. The Factories Act of 1948 includes the tanning of leather on the list of 'industries involving hazardous processes'.¹²⁶ The Child Labour (Prohibition and Regulation) Act of 1986 also forbids child labour in tanneries.¹²⁷ Estimates of the amount of child labour in India vary greatly. Research by the ILO, published in 2007, states that there were 12.7 million working children between the ages of five and 14 in India in 2001. That was 5% of all children between five and 14 years old and 3% of the working population. Of the 12.7 million children, 5.8 million were at work full-time (meaning they had worked the six months prior to the census) and 6.9 million were marginal employees (they had worked, but not for six months). Of the children between five and 17, there were 28.3 million at work (5.1 million full-time and 13.2 million marginally).¹²⁸ The reality is that even more children could have been at work, given that in 2001 an extra 87 million children from 5 to 14 were not going to school. In 2004-2005, that number had fallen to 43 million. These figures form the base for estimating that there are 60 million working children in India¹²⁹, an estimate the Indian NGO Save the Childhood Movement made in June 2011.¹³⁰ Specific statistics about the number of working children in India are lacking. This appeared as well from the research SOMO did in India. An important factor in the missing official figures is the stipulation based on the Factories Act that inspections of companies may only take place if there are 10 or more employees working there.

The Indian Council for Leather Exports stated in September 2010 that child labour does not exist in the organised Indian export sector for leather and footwear. Nevertheless, it has adopted a Code of Conduct that addresses child labour for its members.¹³¹ It states that it is the responsibility of these members to guarantee adherence in all production units to the minimum age for skilled labour as provided in Indian law. In addition, no child labour must take place that is forbidden in the Child Labour (Prohibition and Regulation) Act 1986 and the Factories Act.¹³²

¹²⁴ U.S. Department of Labor's Bureau of International Labor Affairs Office of Child Labor, Forced Labor, and Human Trafficking. U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor. December 2010, <<http://www.dol.gov/ilab/programs/ocft/pdf/2010TVPRA.pdf>> (23 February 2011), p. 25.

¹²⁵ T. Tre, 'TuoiTre helps rescue six slave children in HCMC', 16 April 2011, <<http://www.tuoiitrenews.vn/cmmlink/tuoiitrenews/society/tuoi-tre-helps-rescue-six-slave-children-in-hcmc-1.27941>>

¹²⁶ The Factories Act, 1948 (Act No. 63 of 1948), as amended by the Factories (Amendment) Act, 1987 (Act 20 of 1987) <<http://www.ilo.org/dyn/natlex/docs/WEBTEXT/32063/64873/E87IND01.htm>>

¹²⁷ Child Labour Laws website, 'The Child Labour (Prohibition and Prevention) Act, 1986' <<http://www.childlabour.in/child-labour-laws.htm>> (25 May 2011).

¹²⁸ International Labour Organization, 'Child Labour Facts and Figures: An Analysis of Census 2001', 2007, <http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@sro-new_delhi/documents/projectdocumentation/wcms_125442.pdf>

¹²⁹ National Commission for Protection of Child Rights (NCPCR), 'Magnitude of Child Labour in India, An Analysis of Official Sources of Data (Draft)', 2007, <http://ncpcr.gov.in/Reports/Magnitude_of_Child_Labour_in_India_An_Analysis_of_Official_Sources_of_Data_Draft.pdf>

¹³⁰ The NGO Save the Childhood Movement (BachpanBachaoAndolan), report 'Capital Corruption: Child Labour in India', June 2011, <<http://www.bba.org.in/images/CAPITAL%20CORRUPTION.pdf>>

¹³¹ Council for Leather Exports, 'Adoption of a "Code of Conduct" for CLE Members', September 2010, <<http://www.leatherindia.org/codeOfConduct.asp>>

¹³² ibid

According to the list of the US Department of Labor, children in India work in footwear production and in the production of leather goods and accessories. In contrast to Pakistan and Bangladesh, children working in tanneries in India do not appear on the list.¹³³ As mentioned earlier, this does not mean that they are not there. In May 2011, there was a press release about 44 child workers having been freed from leather units in Delhi.¹³⁴ The press release did not link the companies running the leather units to production for the international market. The children, most of them approximately 10 years old, were beaten regularly and had to work in a small space in a leather unit that had very little ventilation. They worked assembling leather purses and footwear. The children's employers were arrested and charges will be pressed against him under the terms of the Indian legislation on child labour.¹³⁵ The Indian National Child Labour Project (NCLP) says that the most recent observations of child labour in the footwear sector both date from 2008. A raid took place on 5 February 2008 at Miracle Shoes in Vinnamangalam in which a boy and a girl were removed from the workplace. A second raid took place on 22 February 2008 at Ambur Shoes and five children between 12 and 13 were removed from the workplace.¹³⁶

Indonesia

In Indonesia, child labour in the footwear sector is a common phenomenon; many small producers have family members working for them and this includes children. Many children work together with their parents or are family of the owner of the workplace. The workplaces earn very little on the outsourced work that they do and they use children as inexpensive and easily available workers. The children are put to work due to the restricted access to education once they have finished elementary school. Despite the existence of legislation that forbids work for children younger than 15, many children work. Presently, many children also work before or after school to earn something extra or to pay their school costs and it does occur that children completely trade school in for work.¹³⁷

Bangladesh

The ILO states that in Bangladesh there were 4.9 million children between the ages of five and 14 at work in the period between 2002 and 2003. There were 7.9 million between the ages of five and 17.¹³⁸ In 2007, the ILO-IPEC published information about children working in the leather industry in Dhaka in Bangladesh. Their conclusion was that approximately 260 children worked in tanneries, 3040 in footwear factories and 320 with leather products, the majority of these boys.¹³⁹

¹³³ U.S. Department of Labor's Bureau of International Labor Affairs Office of Child Labor, 'Forced Labor, and Human Trafficking. U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor', December 2010, <<http://www.dol.gov/ilab/programs/ocft/pdf/2010TVPRA.pdf>>, p. 25.

¹³⁴ 44 child workers rescued from leather units in Delhi <<http://www.thehindu.com/news/cities/Delhi/article2031993.ece>>

¹³⁵ 44 Child Workers of Bihar rescued from different sweat houses <<http://www.bba.org.in/news/190511.php>> and <http://articles.timesofindia.indiatimes.com/2011-05-20/delhi/29564086_1_child-workers-chicken-pox-rescue-operation>

¹³⁶ For more information about the NCLP: Developing a tracking system to follow up children in the National Child Labour projects scheme, <http://www.unicef.org/india/child_protection_2900.htm> and NCLP website <<http://labour.nic.in/cwl/nclp.htm>>

¹³⁷ International Labour Organization, Child Labour in the Informal Footwear Sector in West Java, February 2004, <http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/publication/wcms_123818.pdf>

¹³⁸ ILO website, 'Bangladesh', 26 October 2009 <<http://www.ilo.org/legacy/english/regions/asro/newdelhi/ipec/responses/bangladesh/index.htm>>.

¹³⁹ Foundation for International Research on Working Children (IREWOC), Anna Ensing, 'Hazardous Child Labour in the Leather Sector of Dhaka, Bangladesh', January 2009, <http://www.childlabour.net/documents/worstformsAsiaproject/Ensing_Leather_Bangladesh_2009.pdf>

Children are most often found in small-scale workplaces producing for the local market, but also in situations of homework. A majority of the Bangladeshi children has migrated from the countryside to the city due to 'push factors', such as economic problems (for instance debts) or the loss of land. Poverty combined with social problems is the most common factor leading to a move into the city. Large companies generally do not take children on directly, partially because they want skilled labour and partially because regular inspections take place. Small and informal companies do have children working for them. Entrepreneurs who themselves come from poor families, or who worked as child workers, have started many of these small companies. Some children work at home within the family. In these cases, the client often does not know precisely who is producing what. These are cases of outsourcing within families; they arise because families are paid for piecework and children help to earn the family income.¹⁴⁰

Brazil

In June 2009, child labour specialist Renato Mendes, working in Brazil for the International Labour Organization (ILO), indicated that there had been hardly any child labour in the Brazilian footwear industry for several years. However, this practice is on the rise again due to an important shift in the industry. A large percentage of Brazilian footwear is now being produced through outsourcing. At the end of the chain, one frequently sees a small-scale homework sector with child labour. Brazilian law states that the home is inviolable and labour inspectors may not enter it. This makes for misleading official data on the involvement of children in the footwear industry.¹⁴¹

Government statistics show that in 1999 3500 children younger than 18 were working in the leather industry; in footwear production this was 40,000.¹⁴² In 2002, the ILO/IPEC published an evaluation report stating that in 2001, child labour had fallen sharply, at least in the region Vale dos Sinos.¹⁴³ In a letter addressed to the US Department of Labor (DOL), dated April 2010, Abicalçados, the Brazilian Footwear Industries Association, states that there is no country in the world that has done as much as Brazil to combat child labour. The letter goes on to say that DOL is basing its conclusions on old research, while the situation has improved. According to Abicalçados, it is not verified that home production with child labour actually takes place.¹⁴⁴

Morocco

The US-government Department of Labor (DOL) thinks it is probable that child labour is taking place in Morocco in both footwear and leather production, in small tanneries and workplaces, which almost exclusively seem to be producing for the domestic and North African markets. Old reports from 1993 and 1994 state that young children of 11 and 12 were working in small, badly ventilated workplaces with poisonous chemicals and dangerous machines. Also, the tannery was said to be abusing the apprenticeship system by using children under the legal minimum age of 12. The educational trade union SNE in Fes helps children who have worked in leather and footwear production.¹⁴⁵

¹⁴⁰ ibid

¹⁴¹ American Embassy in Brazil, cable 'child labour in Brazil - additional comment on DOL list of goods for TVPRA', June 2009, <<http://wikileaks.org/cable/2009/06/09BRASILIA807.html>>

¹⁴² International Labour Organization, International Programme on the Elimination of Child Labour (IPEC), 'Costs and Benefits of Eliminating Child Labour in Brazil', January 2003, <http://www.cepea.esalq.usp.br/pdf/paper_ILO.pdf>

¹⁴³ ILO/IPEC, an ex-post evaluation by independent evaluators, 'Combating the Exploitation of Child Labour in the Footwear Industry of the Vale dos Sinos, Brazil', April 2002, <www.ilo.org/ipecinfo/product/download.do?type=document&id=6305>

¹⁴⁴ Abicalçados, the Brazilian Footwear Industries Association, letter to U.S. Department of Labor (DOL), 'Re. Request for Information Regarding Initial List of Goods under Section 105 (b) (1) of the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2005', April 2010, <<http://www.dol.gov/ilab/programs/ocft/FR20100224/Brazil/Brazil.pdf>>

¹⁴⁵ FNV Mondiaal website, B. Speleers, 'Kinderarbeid in Marokko en het effect van SNE', 8 June 2011, <http://www.fnvmondiaal.nl/projecten/359655/kinderarbeid_en_effect_SNE_in_Marokko>

As a result of a variety of measures, such as contacting poor parents, initiating extra school activities and providing information about the dangers of child labour, more and more children stop work and return to school.

Portugal

In 2006, there were accusations that fashion chain Zara, part of the Spanish Inditex, was using child labour for footwear production in Portugal. Despite international and national media attention, an investigation was unable to prove any cases of child labour. There was said to be a legal situation of homework in which a homemaker allowed his children to help him. In Portugal, footwear production is traditionally a sector in which children are active. Generally, but also in the production of footwear, seems that child labour in this country has fallen significantly, but it certainly has not disappeared, particularly in the informal sector.¹⁴⁶

¹⁴⁶ Martin Eaton, University of Ulster, Coleraine, UK, Pedro Goulart, Institute of Social Studies, The Hague, the Netherlands, 'Portuguese child labour: an enduring tale of exploitation', 2009, <http://www.willamette.edu/cla/debate/pdf/youth_forum/kpdc%20research/motion%201%20affirm/AncaPortugal%20Child%20Labour.pdf>

6 Field investigations into the production of leather shoes in India

The following paragraphs describe the investigation into the production of leather footwear in India, commissioned by the Stop Child Labour campaign. The research took place in the states Tamil Nadu and Uttar Pradesh and focused particularly on child labour in the production of leather footwear for the export market.

Strategy of the field investigation

India is one of the most important footwear-production countries for the Dutch market: 5% of the footwear with leather uppers on sale in the Netherlands comes from India. In February and March 2012, the Indian researcher Souparna Lahiri, commissioned by SOMO and under its guidance, undertook field investigations in the cities Vaniyambadi and Ambur in the South Indian state of Tamil Nadu and in the city Agra in the North Indian state of Uttar Pradesh. The aim of the investigation was to identify child labour in the supply chain for leather footwear of well-known brands destined for the European market. During the field investigations, the researcher spoke to adult employees and children working in both formal and informal footwear sectors, as well as trade-union leaders, NGO activists, government representatives, politicians and employers.

It is said that under pressure from foreign clients practically no child labour is taking place in regular large-scale production by exporters of footwear in the regions under investigation. This emerged from interviews with factory workers and others involved in the industry. The field investigations focused on the footwear exporters' outsourcing chain, in which an unquantified, but substantial, part of export-oriented production takes place. In Vaniyambadi and Ambur, investigation took place in 16 formally registered small and medium-large workplaces, one small-scale, unregistered workplace and 10 households where women sewed together parts of shoes. In Agra, it took place in two registered small and medium-large workplaces, six unregistered workplaces and five households.

The production of leather footwear in the investigated regions

Small-scale, production locations registered in Vaniyambadi and Ambur, with an average of 15 to 100 workers, are inaccessible to outsiders and often strictly guarded. Most managers are not prepared to speak to visitors and it is hard to establish contact with workers, because they fear for their jobs. Small buses or rickshaws pick up workers in footwear production in this region, primarily women, early in the morning and bring them back home in the evening. It is difficult to make contact with workers when they are working. The best time to do this was their lunch break.

Practically every person interviewed in Vaniyambadi and Ambur, but also in Agra, confirmed that child labour goes on in the production chain of leather footwear. However, to observe or establish child labour in practice is difficult, for all sorts of reasons. In addition to the security around the workplaces and tight-lipped managers who refused to help, workers also held back from openly pointing out cases of child labour or bringing it to the attention. The taboo on the subject exists because people know that foreign clients of the footwear producers/exporters reject the idea of child labour being involved, directly or indirectly, in its production. If workers did want to cooperate, they asked the investigator not to take photos of the child workers and not to speak to them.

The investigators who observed child labour during the company visits validated their sightings by asking the opinions of informers (employees, helpful workers) on location. Sometimes they had good luck and could speak to child workers and take a picture.

It also turned out to be difficult to trace footwear manufacture in the outsourcing chain to brands sold on the European market. For instance, in the workplaces investigators that were part of the outsourcing chain, uppers of the shoes usually did not have the factory or brand name mark. Interviewed workers said that companies are increasingly reticent about revealing information about brand names they produce; this goes for outsourced production as well. This makes it increasingly difficult to establish a relationship between a production location and a brand name. And yet, investigators managed to collect evidence in any number of ways and were able to establish actual production of leather shoes from brand name companies in situations like this.

The investigation established that child labour plays a role in the regions under investigation, in suppliers to the large exporters who produce footwear for large international markets. It was observed directly in workplaces where, at that moment and/or in the recent past, production had taken place for well known trademarks. Because the Stop Child Labour campaign, that commissioned the research, has no plans at present to publish names of companies producing brand name footwear to the public and because the practice of child labour seems to be a structural phenomenon that many well known brand name companies encounter if they locate their footwear production in India, it was decided to describe the results of this field investigation in such a way that one cannot link the child labour to specific suppliers, producers or purchasers.

Vaniyambadi-Ambur

Footwear production in the cities Vaniyambadi and Ambur almost completely focuses on export. Footwear is produced there that is destined for purchasers in Europe, the United States, Latin America, Thailand, Australia and Hong Kong. Producers making footwear for export outsource the production of the uppers to smaller producers or workplaces where women do most of the work. These types of workplaces, according to the Indian Factories Act 1984, are obliged to register and to request a license. It also happens that this work is outsourced to even smaller workplaces with less than 10 workers and, for these, registration is not obligatory. On average, these units employ about five workers, both women and men, and have about four sewing machines. Generally, producers or former employees own these workplaces and employ the workers. Usually, the contracts are concluded via agencies or with workers themselves.

In the region around Vaniyambadi and Ambur, it is easy to identify and access the registered fabrication units. The small-scale workplaces, however, are located deeper in the villages, making them more difficult to find. Processes of hand stitching and assembling the footwear are often outsourced to households in the villages close to the cities. An ex-employee of one footwear-production location said that there were around 400 workplaces spread out over the cities of Vaniyambadi and Ambur and along the Bangalore-Chennai highway connecting Vellore and Ambur. Approximately 200 of these workplaces supply footwear to the Farida Group, one of the largest footwear exporters in this region. The others supply to companies including Itares, UNISCO, Florind Shoes (KAR Group), Faizan Shoes, N. M. Zachariah, T. Abdul Wahid and Universal Shoe Company.

Wage levels in the informal sector vary from 80 rupees (1.18 euro) to 125 rupees (1.84 euro) per day. In exceptional cases, workers receive 150 rupees (2.21 euro) when they operate machines requiring more skills. This puts these wages far below the established minimum wage for the footwear industry in Tamil Nadu.

The wage for piecework in the informal sector lies between five and 10 rupees (0.07 and 0.14 euro) per stitched upper. Regular working times are eight hours a day; overtime is not paid out. The investigated workplaces had no fringe benefits. Mothers did not receive parental leave and workers had no contract, payslips or other work documentation.

In the extremely small-scale workplaces, workers received 60 rupees (0.88 euro) per day and had no fringe benefits either. Often entire families were involved in the work, with workers working along with their children and other family members in the same workplace.

Workers at work in Ambur and Agra in the informal sector, including those supplying export companies, do not receive the minimum wage. Even in the formal large-scale export-oriented companies, employers do not always respect legislation that establishes a legal minimum wage for specific work tasks.

Pollution

Agriculture in the Vaniyambadi-Ambur region has suffered severely from developments in footwear production. Waste products deriving from the tanneries have seriously polluted the local Palar River, meaning that agriculture and the villages surrounding the river have suffered from serious pollution. Traditionally, agriculture was the primary source of income, but now that much ground and water is polluted, inhabitants must go looking for other work. It is easy to find work in small workplaces, because no special skills are needed. This contrasts with work in the factories of the large exporters. An interviewed chairman of a trade union from Ambur said that these exporting producers do not take on workers under 18, while small-scale workplaces did take on teenagers.

The workplaces

There were approximately 80 workers at work at the first of five workplaces under investigation. During the lunch break, some female workers were seen who seemed younger than 15. All workers were inside the workplace and were not permitted to go outside the fences of the complex. At the second production location, mainly women and girls were at work; some of these were under 18 and others no older than 14. About 60 people worked there. At the third, several young girls between 13 and 15 were at work. No work was going on at the fourth workplace during the investigation, but two young girls were sitting at sewing machines. Three girls of around 13 or 14 were present in the fifth workplace. Two women and three men were working at sewing machines in one small-scale workplace and a child of about 11 was gluing shoes together. This last workplace was probably producing for both the export and the local market.

Hand stitching and child labour

In the investigated households, women were manually stitching leather sandals and moccasins. The workers themselves said that other leather shoes too were produced this way. The uppers of the shoes have holes made by machine and the women give the shoes their final form by stitching these pre-perforated parts. Every woman produces around 10 to 12 shoes a day, for which she receives between five and 10 rupees (0.7 and 0.14 euro per pair); the wage depends on brand name and style. Thus, the salary for this type of work is extremely low and families earn more if the whole family works together. Interviewed workers said that children do work on footwear production, although not on a permanent basis. They become involved in the production to support their mother, aunts or older sisters after school or during vacations. One of the women interviewed said that child labour is forbidden in the large factories, but that children regularly help with the production in households and that they go to school as well.

Government intervention and official statistics

A manager in a workplace involved in the investigation said that child labour had been a priority on the agenda of the Indian government for the last two or three years. The director of the National Child Labour Project (NCLP) in Vellore said that the Ministry of Employment regularly sends people to raid workplaces in different sectors where child labour occurs and that it has subsequently shut down some locations. District officials are involved in this because they issue fines to parents who do not send their children to school; one thing they do is take back food coupons that give them the right to inexpensive basic food.

A government investigation from 2003 estimated numbers of cases of child labour in Tamil Nadu at 70,344. An investigation from 2010 estimates numbers of children not going to school due to economic circumstances at 28,410. The NCLP referred to 105 raids in 2011, during which 36 children were removed from workplaces. However, not one of these cases took place in footwear production. The NCLP places the most recent observations of child labour in the footwear sector in 2008. On 5 February 2008, a boy and a girl were removed from the workplace during a raid at Miracle Shoes in Vinnamangalam. The second case was a raid on 22 February 2008 at Ambur Shoes during which five children between 12 and 13 were removed from the workplace.¹⁴⁷

Agra

In Agra, export companies with medium-large and large workplaces, having more than 500 employees, dominate the footwear sector. There are also around 4000 small-scale workplaces at people's homes. Many of these workplaces supply both the Indian and foreign markets. Usually, fewer than 10 people work at small-scale production locations that are not homes. Workplaces like this must have at least four sewing machines in order to supply an exporter. Homeworkers produce only uppers and have a capacity of 60 to 100 pairs a day. Most workplaces are located within the city boundaries. In recent years, new kinds of producers of footwear have appeared. These are workplaces with between 80 and 150 workers that supply exclusively to one defined export company. They are located in the area where the workers live and the export company appoints a manager to lead them. Workplaces at home produce for the large exporters, including Basant Overseas, Virola International, Holyfield Overseas, Dawar Footwear, EMCO Exports, Gupta Overseas, Tej Shoes, BATA and Roger Industries. In their turn, these exporters supply women's, men's and children's footwear to American and European brand name companies. The uppers of shoes that these workplaces produce are usually not marked with a brand name. Nevertheless, most workplaces do have a model with a brand name on it that workers use as an example when stitching the uppers.

Small-scale workplaces

On average, between three and five people work at a small workplace, dependent upon the amount of work. Owners of these workplaces are skilled workers who have worked before in large export companies and have now started their own workplace. This is where workers produce the uppers and attach soles. Sometimes they also cut out leather for the uppers. Child labour is widespread in small-scale workplaces in Agra. Interviewed workers say that children working on production learn the necessary skills from the older generation. During a group discussion, workers and employers from this sort of workplace complained that the footwear they produce demands a high level of skill, but that the export companies nevertheless pay poorly for it.

¹⁴⁷ For more information about the NCLP: Developing a tracking system to follow up children in the National Child Labour projects scheme, <http://www.unicef.org/india/child_protection_2900.htm> and the NCLP website <<http://labour.nic.in/cwl/nclp.htm>>

Practical examples:

Prakash, one of the owners of a small footwear workplace, works with two of his sons, one of whom is 13. He also has an adult employee to produce 25 to 50 pairs of shoes a day, dependent upon the style of the uppers. Guddu, his 19-year-old son, says that he and his brother work between six and eight months a year and that his brother also goes to school. The workplace is open 12 to 14 hours a day during the high season. Mahesh, another neighbour/employer from the same village, has a similar workplace where he works together with his children aged six, nine and 12. He also employs two adults. Mahesh says that his child of six works along with them on his own initiative and that it keeps him busy, because he does not go to school yet. On days when there is not much work, the other two, older children go to school.

Dara Singh has a rather extensive workplace with eight sewing machines and a diesel generator. Managers of export companies outsource their orders to workplace owners like Dara. Dara employs two adult workers and his family helps with production. His brother's children work there too. All the children are between 13 and 17. Dara says it is impossible to earn a liveable income if families and children are not involved in the production process.

In the village Vadagarai in Tamil Nadu, a small workplace was visited. It consisted of two rooms, one used as the production space and the other as storage. Both rooms were badly lit and they found a boy of around 12 working there. This visit took place in the afternoon; therefore, one can assume that the boy does not go to school. Other workers said that the boy does not earn more than 0.72 to 0.86 euro a day. In five other workplaces girls of between 13 and 14 were found. They were earning around 1.15 euro a day without any fringe benefits. A normal working day is eight hours, but it can increase to 12 in the high season; overtime is not paid out.

Government intervention

The Assistant Labour Commissioner (ALC) in Agra must enforce the Indian Child Labour Act and carry out the National Child Labour Project. The last investigation that took place in 2007 showed 19,000 children working in different sectors. However, inspection can only take place in workplaces over which the Factories Act has jurisdiction. This means that, according to the Factories Act, inspections can only be carried out in companies having at least 10 employees. This is the reason why there are no good data available about how many children work in footwear production in Agra.

Analysis

The nature and context of child labour in Indian footwear production for export

There is a general impression in Vaniyambadi and Ambur that no child labour occurs in footwear production and that solely workers 18 years and older work in this area. While this is true for a large number of workplaces, seven cases of child labour were found in workplaces in Ambur during an inspection in February 2008. Some managers and supervisors who took part in the investigation said that cases of child labour have fallen in the last three years. As the most important factors influencing this change, they cited pressure by Western producers and campaigns by NGOs in Europe, a proactive attitude in the Vellore district and increased awareness in the region. Concurrently, since March 2008, no action was undertaken under the Child Labor Act in Vaniyambadi-Ambur. In that year, the government raided two medium-large footwear factories in the Vaniyambadi-Ambur region. Significant political and socio-economic influence exerted by interested parties was said to have played a role in the lack of new inspections. The 2008 raid led to protests by one of the region's influential political parties to whom the owner of one of the larger workplaces had connections. Since 2008, no more inspections of child labour have taken place, which is a very worrisome situation.

Causes of child labour in the investigated regions

As already mentioned, Agra is known for its long history in the production of footwear. This history means that specific traditional skills are passed on from generation to generation within the context of the family, often from an early age. The situation in Vaniyambadi-Ambur is quite different, partially because it cannot rely on such a long tradition. Most of the work in Vaniyambadi-Ambur is done by women, helped by girls. In Agra, on the contrary, men and boys produce the footwear. Workers learn the skills while they are working for the export companies. However, a spokesperson for the Leather & Leather Goods Democratic Labour Union from Vaniyambadi-Ambur said that meanwhile workers can master the necessary skills within three to six months. This has to do with extensive automation of the production process, making specific traditional skills less required.

The same spokesperson said that child labour in Agra is therefore more structural in nature than in Tamil Nadu and it also focuses on transmitting traditional skills for a better future in this sector. In Tamil Nadu, child labour is more incidental in nature; it arises primarily from the poverty trap and thus a family's economic necessity. The spokesperson said that child labour in the Vaniyambadi-Ambur region could also fall significantly should companies begin to pay at least a minimum wage to workers and should they begin to provide better fringe benefits. Interviewed workers said that child labour in this region arises from extreme poverty and the loss of agricultural land in part of the Palar Valley. The ground in this valley is severely polluted due to the contamination of the Palar River by tanneries along its banks. The contaminated water of the Palar River makes up approximately 25 km of the region around Vaniyambadi-Ambur and is the only source of water for agriculture in that district. Children working in footwear production in Agra go to school less often than children working in home production in Ambur. Working hours are also longer in Agra than in Ambur.

Findings in the workplaces

Most of the investigated workplaces supply the large exporters, who, in turn, supply the European markets. Most of the handstitched leather shoes are produced by female workers in small-scale workplaces. Based on the investigation, it can be said with a great deal of certainty that child labour is used in India for the production of handstitched leather shoes for the international market. It does appear that these children often go to school and that their work in the shoe production takes place in their free time. According to those involved the work these children do is not physically taxing; shoe components are supplied with already existing holes and these have to be stitched. And yet, particularly because of the health risks, this work is taxing and dangerous.

The low piecework price of between 0.6 and 0.14 euro per stitched upper is seen as a factor in the continuing existence of child labour. Production per family rises by involving the children in it, meaning that the exporters pay the family more money. Female workers produce 10 to 15 pairs of shoes a day, dependent upon the type of shoe. They earn a minimum of 0.86 and a maximum of 2.16 euro per day.

Workers from Agra said that the large export factories only have employees 18 and older. Talks with young-adult workers revealed that most of them learned their skills by working as children in the workplaces of their family or friends. Because this is the only skill they have learned, they have very few other perspectives than a job in a footwear factory when they reach 18. This is why they regularly make do with wages lower than the minimum wage and go along with inadequate fringe benefits. Children who work in small-scale footwear production sometimes work as long as 12 hours a day. Often this is not continuous; they might take an hour's break now and then to play or do something else. Most of the children go to school and they work in the hours when there is no school. Interviews with some of the children did not produce the impression of forced labour. Even though the children interviewed in Agra experienced practically no direct pressure to work and did learn skills at a young

age, the work itself creates an interest in that skilled area and offers the chance to earn some money. The consequence of this is that some children lose their interest in school and education only to discover much later on that they cannot do anything else than work in footwear production.

The investigation showed that there was general dissatisfaction among workers about their work in the export factories. As a consequence, more and more small-scale workplaces are appearing, of which these ex-workers are the new owners, where they can earn more than they could with factory work. Some of these small entrepreneurs think that it is the existence of these small-scale workplaces that maintains the good reputation Agra has for producing fashionable shoes of high quality.

New developments in Indian footwear production

Historically, footwear production in Agra has had two variants: that taking place in large-scale export factories and that in small-scale workplaces. In the last two to three years, a new production form has appeared: medium-large production units, practically all of which are managed by large export companies. These units are not located in places where, generally, footwear factories were, but in places where much inexpensive labour is available, for instance in certain villages. This step may be explained by the pressure that the large exporting companies are feeling indirectly via their clients from actions of NGOs and anti-child-labour campaigns. By no longer using home production, but continuing to produce via these small-scale units, the company keeps its production costs down – given that wages here are often less than the minimum wage and there are no further fringe benefits – and maintains more control over production than when it outsources entirely. The two investigated workplaces of this sort employed 80 and 150 workers, respectively.

Interventions

NGOs active in the area of child labour in the investigated regions focus primarily on sectors like the production of matches and incense. However, they pay little or no attention to child labour in footwear and leather production. One hindrance is the lack of independent information about the occurrence of child labour in the footwear sector. No government research has gone into this recently, for instance. As mentioned above, this probably has to do with political pressure from the sector that insists everyone averts one's eyes, but it is probable that the present focus of the National Child Labor Project (NCLP) also plays a role. This programme targets other sectors than footwear production and focuses on a different age group as well. At schools the NCLP has set up, there are no children who were formerly footwear workers either. Most children there are younger than 12, mainly between eight and 10, while children in footwear production average 12 to 14 years of age.

Conclusion of the field investigations

In both Agra and in Vaniyambad-Ambur child labour is used in the supply chain for handstitched shoes made of leather. It can be stated that export companies do not use child labour directly in their factories, but do this indirectly via the smaller scale workplaces to which they outsource work. In practice, this supply chain manages to avoid government supervision almost completely. In all cases, child labour supplements the family income. There are differences in the nature of child labour in the two researched regions. It appears that children in Agra go to school less often and work longer, sometimes 10 to 12 hours, than those in Vaniyambadi-Ambur. In short, child labour is a common phenomenon in the outsourcing chain of large footwear exporters in the two most important footwear-production regions in India. This immediately makes it clear that the chance is large that Indian children have had a hand in producing leather handstitched shoes appearing on the European market. In practice, this field investigation has found evidence that child labour has gone into leather shoes from well-known international brand names on sale on the European market and elsewhere.

7 Policy research into footwear companies

As part of the research into child labour in the footwear sector for the campaign 'Stop Child Labour', research also took place into the policies of well-known footwear companies. Researchers attempted to contact the following 21 companies in the Netherlands and other European countries:

- Bristol (Euro Shoe Group)
- Cruyff Sports
- Ecco
- Fred de la Bretoniere
- Geox
- Invito
- Kickers
- Scapino
- Tango
- Timberland
- Van Bommel
- Van Haren (Deichmann Group)
- Van Lier
- Wolky
- Schoenenreus (European Retail Shoe Company)
- Macintosh Retail Group
- Internationale Deichmann
- ANWR (Aniston Nord West Ring)
- Hengst Footwear
- Promodes
- Bata

The main aim of the research was to map the sourcing policies of the above footwear companies. In doing this, the focus was not only on child labour but also on broader policies for Corporate Social Responsibility (CSR). All the companies mentioned received a request late in 2011 to fill in a company questionnaire that included specific questions on child labour and CSR policy.

The first part of the questionnaire gathered information on general company data, the countries from which the company imports leather and footwear and which general CSR standards the footwear company upholds. The second part focused on specific aspects of social, environmental and economic policy. Questions here were about policies targeting child labour and the investigation into estimating risks of child labour in their leather footwear supply chain. The footwear companies were approached by e-mail and telephone. In the first instance, contact was sought with the CSR department of the companies, or if this did not exist, with a footwear purchaser. In some cases, it was impossible to make contact with a specific person. This was because there was no specific person with that responsibility or because the company did not want that person to be approached directly. In cases like that, the questionnaire was sent to a general company e-mail address. There was contact by telephone with some of the companies and in some cases verbal answers to the questionnaire were received.

The research revealed that it is difficult to make contact with these companies. Only a few had a CSR department or CSR policy publicly available. The response shows that there is very little transparency in sourcing policies of these footwear companies. Two of the 21, Van Haren (the Deichmann group) and Timberland, responded to the questionnaire. Both of these have a specific CSR policy that includes attention for child labour in the chain. Stop Child Labour did subsequent research to supplement research by SOMO; it will make this public around the time that this report appears.

SOMO