Private Sector Business Case for Sustainable Labor

ARCH RESEARCH STUDY

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The study was written by Mr. Eric Dziedzic, consultant appointed by Winrock International with over a decade of experience in the field of corporate responsibility across the globe. In close coordination with Mr. James Yekeh, ARCH Project Director, Mr. Dziedzic supported the development of public-private partnership initiatives in ARCH by exploring and identifying opportunities to engage the rubber industry, public sector, and communities. The key result of these initiatives was the creation of a Business Case on Sustainable Labor study.

The findings and recommendations on this report are based on consultations done with stakeholders during the duration of the ARCH project, through interviews, focus group discussions and workshops. Thank you to all the participants from the public, private sector and civil society who made this study possible. Special thanks go to the ARCH team who provided invaluable support to this study.

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Introduction

This document will describe the compelling business interests of private sector enterprises operating in Liberia to help support the elimination of child labor. This business case was commissioned by Winrock, International as a part of the implementation of the United States Department of Labor's ARCH Project.

In alignment with the terms of reference and in satisfaction of the deliverables of the private sector's business case for sustainable labor, this document will:

- Provide a narrative of the current engagement of the private sector in reducing and/or eliminating child labor
- Describe the root causes of child labor in the marketplace
- Identify various interventions to help mitigate child labor
- Highlight the benefits to private sector companies through the elimination of child labor
- Recommend next steps, collaboration partners, and engagement opportunities

This document consists of three main components:

- An introduction which describes the marketplace conditions in Liberia as well as background information on the efforts to reduce child labor
- The business case which articulates the benefits for private sector companies by the elimination of child labor throughout their value chains
- Recommendations for private sector companies, civil society, and the public sector in order to build a more collaborative approach to the elimination of child labor

In addition to these main components, this document also includes an executive summary.

The information in this document has been gathered from extensive stakeholder meetings, field visits in Liberia, peer-reviewed literature, and other sources. Sources are cited as appropriate.

Executive Summary

PURPOSE

The purpose of this document is to provide a compelling business case for private sector companies operating in Liberia to become more fully engaged in the elimination of child labor in their supply chains.

This document will provide background and information on the current efforts to eliminate child labor and provide context for the engagement of the private sector. While this document is targeted at the rubber industry specifically and the agriculture sector more generally, the benefits and recommendations can be applied to most sectors in Liberia.

BACKGROUND

Child labor in Liberia is a national priority. The Ebola outbreak exacerbated the challenge and created an urgent need to engage private sector enterprises in a more strategic and holistic manner.

Persistent poverty and limited access to formal education are the root causes of child labor. The Government lacks the resources and capacity to adequately provide an economic and social safety net to address the level of poverty and is equally unable to adequately provide enough resources to satisfy the need for skill-based, formal education.

The attempts to address child labor in the past have created interventions which have had positive impacts and moved large numbers of children from the labor force into education. These previous attempts lacked the strategic participation of private sector enterprises and therefore lacked the ability to sustain beyond their funding mandate.

THE BUSINESS CASE

In order to create a more sustainable approach, the ARCH project is attempting to engage private sector enterprises using a methodology which demonstrates how individual businesses can directly benefit from the elimination of child labor in their supply chains.

The first step in this process is the articulation of those benefits. This document is intended to illustrate those benefits and provide recommendations for implementation and partnerships. These benefits have direct, tangible outcomes that impact the operation of the business but also have more longer term intangible benefits. They include:

- Skilled Workforce: The investment in the elimination of child labor in supply chains has a direct impact on the creation of a more skilled workforce. A basic education is the foundation of skill development; medium to high skilled workers generate higher productivity and lead to overall growth. An investment of $1 in skill development returns $16 in growth.

- Reduced Costs: The lack of medium to high skilled local workers in the Liberian talent pool, in part due to child labor, results in higher operating costs. A savings of 70, 80, and even 90% can be derived through the employment of local workers.

- Investment Potential: Investment (particularly foreign direct investment or FDI) is directly correlated the level of skills and education of the workforce. The elimination of child labor, and therefore the increase in the education level of the workforce, will positively impact FDI. The resultant increase in investment creates growth in business activity and productivity.

- Increased Stability: Ensuring the elimination of child labor and increase in education helps create a more stable marketplace. This ‘value-add’ investment in creating higher skills helps to create stability as well as helps eliminate not just the practice of child labor but also addresses the root cause (persistent poverty) in a sustainable and resilient manner.

- Enhanced Reputation: The value of brand equity cannot be overstated. Child labor has been a catalyst for damaged brand reputations in the recent past for companies in the agriculture sector in Liberia. Investing in internal practices which ensure its elimination throughout the supply chain has immediate and direct economic benefits for companies including enhancing value.

- Lower Risk: A strong compliance regime within private sector enterprises not only protects and supports the development of brand equity (which, as discussed above, has tremendous value) it also creates significant value on its own through decreased risk to operations, lower operating costs, and overall value generation (including increased equity value).

RECOMMENDATIONS

To effectively leverage the child labor policies of the public sector; to enhance the interventions of civil society, and to effectively utilize the resources and expertise of private sector enterprises, strong and collaborative partnerships are required.

The following recommendations will enable these partnerships and facilitate more positive impact in eliminating child labor from the agriculture sector in Liberia:

Recommendations for private sector enterprises include:
- sharing best practices within the industry
- coordinating efforts through industry groups
- increasing monitoring and enforcement of internal policy beyond current boundaries
- increasing investment in support of skills development for youth
- increasing transparency of child labor monitoring efforts
- greater communication outreach to communities

Recommendations for the public sector:
- better intra-ministerial coordination
- enhanced cooperation with private sector enterprises
- increased monitoring of child labor violations
- multi-stakeholder engagement on child labor issues

Recommendations for civil society:
- increased monitoring of private sector reporting on child labor
- increased engagement with private sector enterprises to share best practice

CONCLUSION

Private sector enterprises exist to create value. They achieve this through the products and services they produce and sell, but they also do this through their impact on the communities around them through the creation of jobs and through the way the operate their business.

In order to motivate this value driven sector to take action, we must articulate the desired outcome in terms of its applicable value. This is often called the ‘business case’: It is the cost/benefit analysis of business decisions. This document provides the clear business interests.

The impact of the persistence of child labor on private enterprise is negative. Child labor removes children from the education system and keeps their skills low as adults; it is the catalyst of other social challenges including crime and violence which raises the cost of operations; and it is a factor in deterring foreign investment in Liberia making commerce more expensive and difficult.

The business interests are clear, but the elimination of child labor goes beyond improving the bottom line. This is also a moral challenge; a moral challenge which private sector enterprises have a unique and powerful ability to help solve.

Background

Project Overview
The ARCH Project was initiated in 2013 with a 4-year project timeline. The project mandate is to reduce child labor in Liberia with a specific emphasis on the rubber growing areas and broader application to the agriculture sector.

Winrock, International implements the ARCH Project on behalf of the United States Department of Labor. ARCH was designed to complement efforts by the government, employers, workers and civil-society organizations in fighting child labor in the rubber-growing sector in Liberia. The project is implemented in Margibi, Montserrado and Nimba Counties in Liberia, by Winrock International in collaboration with African Network for Prevention and Protection Against Child Abuse (ANPPCAN), General Agricultural and Allied Workers Union of Liberia (GAAWUL), Firestone Agricultural Workers Union of Liberia (FAWUL), Nimba Rubber Incorporated (NRI), Morris-American Rubber Company (MARCO) and the Government of Liberia (GOL). ARCH seeks to protect and withdraw children ages 5 to 17 from child labor and its worst forms in the rubber-growing sector. It also aims to protect legally working children — those between the ages of 16 and 17 — in rubber-growing areas in the targeted communities.

The project's community engagement aspect involves direct interventions within the communities and includes specific actions:

- Awareness raising
- Capacity building (community advocates)
- Monitoring
- Educational support

These activities help create a better understanding of child labor and its impacts on the community including the children. This direct engagement is also helping to create a new dynamic within the community which has, in recent history, considered children as an integral part of their ability to generate revenue.

The livelihood aspect has reinforced the creation of this new paradigm within the community by reducing the need for children to participate in the labor force. These livelihood interventions include:

- Pig raising
- Casava farming
- Seed distribution

To ensure the sustainability of the concept that children should be in school rather than in the labor force, these interventions provide the additional recurring income so families can survive on the labor of the adults.

In addition to these main focus areas, the Winrock staff is engaged with the public sector and civil society to ensure there is both policy support as well as general awareness of child labor and the need to eliminate it.

Based on the most recent evaluation study, the ARCH project has demonstrated significant impact on the reduction of child labor within the scope communities. Awareness among community members is high and enrollment of children has increased.

Sustainability is a key challenge for this project, with a particular concern for the post-funding timeframe. The engagement of private sector companies provides an opportunity for enhanced sustainability as well as wider impact beyond the current scope communities.

Root Cause

Child labor in Liberia is exacerbated by persistent poverty, lack of compliance with local, national, and international labor standards, and the inability of the public sector to monitor and enforce remedies. These conditions provide an environment where families with children are compelled to encourage the participation of minors in the labor force in order to provide for basic needs.

The persistence of poverty is the most often cited reason for children in the labor force. While the phenomenon is not recent, there are even older cultural precedences for the preference of educating children over their participation in the labor force. Civil war, the outbreak of Ebola, and the inability of the public sector to effectively provide for a basic level of economic security have contributed to the deepening of the cycle of poverty and the diminishment of these former cultural norms.

The secondary root cause for child labor is access to formal education. There is a national law which makes formal education through 6th grade ‘free and compulsory’, however the infrastructure needed to support this law is inadequate and there is limited enforcement capacity.

So called “bush schools” (traditional cultural schools and do not teach a formal curriculum) were the norm throughout most of rural Liberia until very recently. These schools are slowly being replaced with a more formal school system that provides communities with a solid, basic formal educational opportunity. These more formal schools, however, are not adequate in number to accommodate the need and are often under-funded and poorly supplied.

Together, persistent poverty and lack of access to education, create the foundation upon which the child labor crisis is built.

Previous Attempts

There have been a number of attempts to reduce the participation of children in the labor force in Liberia. Some projects have had substantial impact with large numbers of children moved from the labor force into formal education. These projects, however, lacked two important elements:

- Private sector company engagement
- Sustainability

In these previous attempts to eliminate child labor, the public sector worked closely with civil society (NGOs and religious organizations) to address the issue of child labor. Private sector enterprises were tangentially engaged from a philanthropic perspective, but these companies were not engaged in terms of their operations and policies.

This type of engagement with the private sector created a process that was dependent strictly on funding and not policy. Externalities (especially macro-economic considerations, program termination, disease outbreak, and social instability) left the projects vulnerable and therefore unsustainable.

The overall methodologies of these previous attempts demonstrate that interventions to reduce and/or eliminate child labor can have a positive impact, however the element of sustainability must be included; Engaging private sector companies from a business operations perspective can add this element of sustainability.

<u>Mitigation Activities</u>

The elimination of child labor is a concern for all sectors of society. According to the Regional Commander of the Gender and Child Protection Unit of the Liberian National Police in Kakata County; “Child labor is the cause of most of Liberia’s social challenges. Violent crime, prostitution, drug trafficking and abuse, and human trafficking can all be traced back to child labor”. Its elimination will provide a stronger, more resilient workforce, but it will also help to mitigate Liberia’s other social challenges.

The public sector has ensured there is ministry-level attention to the reduction of child labor. Various ministries, from the Ministry of Labor to the Ministry of Gender and Children and from the Ministry of Sports to the Ministry of Agriculture, have programs and policies to help reduce and eliminate child labor.

These public sector mitigation activities include the Decent Work Bill which prohibits children from engaging in labor activities which are hazardous. Public sector enforcement of existing labor standards for children as well as internationally recognized labor standards is weak at best.

The inability of the public sector to adequately monitor and enforce their own mitigation efforts have led to partnerships with civil society, including faith-based organizations. These organizations engage the general public in raising awareness of the negative impacts of child labor.

Many of these NGOs and religious organizations have engaged directly with the public to create interventions designed to move children from the labor force back into education. These interventions include:

- building and funding private schools
- awareness raising campaigns
- monitoring communities for child labor violation
- tracking and reporting child labor

There is a general lack of capacity and resources to address the root causes of child labor from both the public sector and from civil society. The mitigation activities provide short-term, limited support to targeted populations, however the root causes remain. The type of current private sector enterprise engagement, as described below, has not sufficiently leveraged the business-benefits of more robust private sector engagement nor has it utilized the potential influence these enterprises can have on national policy.

Current Private Sector Engagement

Engagement with the private sector for the ARCH project has been focused on two main organizations: Firestone and MARCO. In both cases, the primary access to these companies has been through the worker's union. In addition, the ARCH project has interactions and interventions with many small-farm holders and a good relationship with the Liberian Rubber Workers Union.

Firestone

The relationship between FAWUL (Firestone's worker's union) and the ARCH project staff is cordial and productive. The strong affiliation has created a mutually beneficial relationship that can be further leveraged to help achieve the goals of the ARCH project.

Firestone has established a number of remarkable initiatives to ensure that child labor is eliminated from their plantations; These include well funded schools, awareness building among workers, monitoring mechanisms, and punitive consequences for violation of their child labor policy.

A very important element to Firestone's effort to eliminate child labor from their supply chain is a clause in every supplier agreement which stipulates that contractors, regardless of operational sector (production, harvesting, etc), must not engage in child labor. If a contractor is caught using child labor their contract is canceled. This policy is increasingly important because Firestone is currently the only exporter of rubber and therefore the only purchaser of raw rubber from smaller companies and small-farm holders.

There are two important challenges with Firestone's efforts to eliminate child labor: one is the lack of monitoring mechanisms for sub-contractors and suppliers; and the other is their strict boundary which limits their influence beyond the plantation.

MARCO (Morris American Rubber Company)

The relationship between the ARCH staff and the MARCO worker's union is equally positive as the relationship with FAWUL. There are, however, a number of challenges that MARCO is currently facing which makes their engagement with child labor less than ideal.

MARCO is in the midst of a worker's strike which has effectively put operations on hold. The low price of rubber has hampered the ability for MARCO to pay their workers and, as a result, wages have been in arrears since October. The teachers on the main plantation, who staff the self-funded school, have agreed to continue working without pay but the length of their agreement is undetermined. The potential for many of the worker's children to be put into the labor force is very high because of the twin pressures of decreased family income and lack of access to school.

The company has developed a child labor policy framework, similar to Firestone's, but there is even less monitoring and very little enforcement. The current micro-economic situation has exacerbated the potential for a child labor crisis within the MARCO plantation itself and the potential for this crisis to expand beyond the plantation boundaries is high.

Other Stakeholders
Winrock staff have effectively engaged with other private sector stakeholders to increase awareness of child labor and it's negative impacts. These stakeholders include small-farm holders, the Liberian Rubber Workers Union, and other smaller private sector companies.

While the interaction between the project staff and private sector enterprises is limited, the ARCH personnel have successfully advanced the mandate of the program. However, to enhance the project impact and to leverage the influence of private enterprises on national business practices, a more strategic approach to engaging this cohort needs to be applied. The first step in this process is to identify the benefits that can be derived by private sector enterprises through the elimination of child labor from their supply chains. The following section describes these benefits. A separate, strategic guide will facilitate ARCH staff in the engagement of private sector enterprises.

The Business Case

This section will describe the benefits of the elimination of child labor for private sector companies. It will also describe the resultant benefits for the public sector as well as society in general.

BUSINESS BENEFITS

The current business landscape, especially within the agriculture sector, can be described as challenging. Low commodity prices, inadequate infrastructure, and thin private sector governance add to the challenges of an already difficult operating environment with a workforce that needs development.

The elimination of child labor from the supply chain of the agricultural sector can provide an increased measure of stability to the current marketplace. In addition, it can help to provide cost savings and other benefits to individual companies which will allow them to become more sustainable in this challenging market.

The specific business benefits are described in the following paragraphs in order to create a holistic business case for the elimination of child labor.

Skilled Workforce
A well trained and skilled workforce has direct benefits to the overall health and success of an organization. The benefits are both intangible and measurable, leading to growth and development of the individual employee as well as the enterprise itself.

The OECD (Organization Economic Co-operation and Development) and the ILO (International Labor Organization) released a report[1] which lays out the benefits of skills development for national economies as well as individual organizations. They estimate that a 1 percent increase in training leads to a 3 percent increase in productivity and that this training directly leads to total growth of around 16 percent.

The report also confirms well established, evidenced based links to organizational health through investment in skill building. These benefits include:

[1] 2010 OECD Employment and Social Policy - G20 Skills Strategy

- empowerment of people to develop their full capacity and to seize employment and social opportunities
- increased productivity of both workers and enterprises
- boosting future innovation and development
- encouraging domestic and foreign direct investment
- higher wages
- decreased inequality

As the report states: a “good-quality basic education…is an essential prerequisite for further skills development”. This is clear evidence that the private sector can and should invest in ensuring children are receiving a basic, formal education. This investment has both immediate and long-term enterprise-wide benefits.

Reduced Costs

There are many cost saving opportunities that arise from the elimination of child labor in the supply chain, however for the purposes of this business case the most direct opportunity for cost savings to be discussed is hiring local versus expatriate employees.

The vast majority of expatriate employees are in middle and executive level technical and professional positions, however many expatriates are hired to operate machinery, or even routine accounting positions. Most of these positions are at the higher end of the salary scale but in any case, due to the nature of working conditions in Liberia (considered a ‘hardship duty’ location) the premiums offered to many expatriate employees often exceed 40% of base pay.

Hiring local staff results in a cost savings of between 70-80% when compared to hiring expatriates is one estimate of the potential financial benefits[2]. This savings figure includes all taxes, benefits, and related employee expenses. Other estimates point to even greater savings with some estimating the cost of hiring an expat over a local Liberian for even a medium skill position to be nearly 10 times.

The concept of “Liberianization” of the workforce of companies operating in Liberia, especially large multinational enterprises, has been enshrined in law. The Investment Incentive Act of 2010 stipulates that the transfer of skills to local nationals be included in any concession agreement and that all companies should comply.

While simplistic in statement, the reality is that highly skilled management and executive candidates are difficult to find in the Liberian talent pool. This is primarily due to limited access to and insufficient development of skills-based education. The skills shortage is a common challenge for many medium and large agricultural enterprises resulting in higher operational costs.

Therefore, the investment by companies into reducing child labor and directing children into a skills-based, formal education will not only reduce operational costs, it will also help enterprises to comply with local Liberian law.

[2] International Management: Strategic Opportunities and Cultural Challenges. Paul D. Sweeney and Dean B. McFarlin. Routledge Publishing Fifth Edition 2015 Page 529

Investment Potential

Investment in the marketplace takes many forms: capital investment by existing companies, domestic investment by newly established enterprises, and foreign direct investment (FDI). In each of these cases, there exists prerequisites for investment.

A stable marketplace is a foundational element for investors. Stability is a product of the combination of sufficient development of the five capitals (natural, social, human, financial, and manufactured). In developing economies, manufactured capital, financial capital, and human capital are often in need of improvement in order to efficiently advantage natural capital.

Liberia is no exception. Rich in natural capital, with a particular emphasis on agricultural wealth, Liberia has struggled to effectively derive the benefits of this natural capital due to the inadequate development of the other 4 capitals. The benefits of the agricultural wealth remain unequally distributed and the cost of production for the enterprises engaged in production remain relatively high.

This scenario has led to a lack of investment in all the categories mentioned above, but particularly within foreign direct investment (FDI). Of all types of investment, FDI has the greatest potential for overall economic growth[3]. FDI also has benefits beyond the direct recipient of the investment. The 'spill over' effect of FDI boosts the productivity of all firms and has substantial positive effect on the overall economy[4].

The resulting economic boost from FDI, however, is only realized when education and skill development are high[5]. There is an obvious need to develop manufactured capital (infrastructure) and financial capital (banking, etc), but the development of education and skill building is the most effective route to economic development.

Thus, investment in resources to eliminate child labor and ensure a more educated, higher skilled workforce will create a return of direct economic growth for the overall marketplace as well as for individual enterprises through increased FDI.

Increased Stability

The recent economic and social turmoil in Liberia has had a tremendous negative impact on the cost and ability of many agricultural enterprises to operate. The economic downturns create diminished livelihoods and, as stated in the 'root cause' section, result in the increase in child labor.

Shifting the economic emphasis from 'lower costs' to 'higher value' will help enterprises become more resilient and provide greater stability for themselves and the overall marketplace[6]. One way of shifting the emphasis is investing in support to create more access to a skills-based, formal education.

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3 Finance & Development, International Monetary Fund Vol 38 #2, "How Beneficial is FDI for Developing Countries?" Prakash Lougani and Assaf Razin

4 Romer, Paul, 1993. "Idea gaps and object gaps in economic development", Journal of Monetary Economics, 32(3), pp.543-573

5 Finance & Development, International Monetary Fund Vol 38 #2, "How Beneficial is FDI for Developing Countries?" Prakash Lougani and Assaf Razin

6 Encyclopedia of Eduction Economics and Finance, Dominic J. Brewer and Lawrence O. Picus, SAGE Publications 2014 pp 247-248

The investment by private enterprises in supporting skills-based, formal education has a multiplier effect on the local and national economy and promotes social stability. The resultant stability, both social and economic, leads to improved productivity and growth.

This 'value-add' investment, therefore, in addition to creating stability also helps eliminate not just the practice of child labor but also addresses the root cause in a sustainable and resilient manner.

Enhanced brand reputation

Brand equity is the value a brand can bring to an enterprise. This value is both intangible in the form of reputation and tangible in the form of derived economic benefit. The reputation value lies in consumers awareness of brand features and associations which drive perceptions. The economic value lies in the credible signal of product quality that a strong brand creates which generates price premiums[7]. According to recent survey of CEOs by the World Economic Forum, three fifths of CEOs attribute 40% of their company's value to its reputation.

Liberian agricultural enterprises have, in the recent past, suffered from damaged brands due to child labor practices. The cost of this damage is difficult to measure, but it has both very tangible and intangible impacts on the enterprise.

Making the challenge of maintaining brand equity even more difficult is the lack of distinction between enterprises and their contractors and sub-contractors. This is especially true in the agricultural sector where supply chains are complex and require enhanced monitoring.

The result of investment in internal practices which enhance brand equity have both short term and long term economic returns. Annually, most enterprises typically spend between 12.5% to 15% of the value of their hard assets protecting and maintaining them. Given the importance of brand equity to the overall value of an enterprise, investing in changing practices which have historically been flagged as 'brand damaging' can provide economic boost that is sustainable.

For enterprises in the agricultural sector of Liberia, the investment in practices which support the elimination of child labor and facilitate the development of more educational opportunities creates an immediate boost to brand equity and creates a foundation of long-term brand value.

Compliance

Regulatory compliance is key element in reducing the risks associated with doing business in lesser developed markets and is part of a strategic enterprise risk management (ERM) system. Evidence suggests that reducing an organizations exposure to risk through compliance can significantly increase value, especially through economic downturns[8].

In Liberia, and specifically within the agricultural sector, enforcement of regulations on issues from labor to environmental protection is weak at best. The Government has little capacity to monitor violations and even less capacity to enforce punitive measures. This can, and does in some instances, create motivation to ignore regulations in favor of more cost-effective operational policies. However, as was briefly discussed in the previous section on brand reputation, enterprises ignore compliance at their peril.

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7 Baltas, G. & Saridakis, C. (2010). Measuring brand equity in the car market: a hedonic price analysis. Journal of the Operational Research Society, 61 (2): 284-293

8 From Compliance to Value Creation: The Journey to Effective Enterprise Risk Management. McKinsey & Company, February 2014

A strong compliance regime within private sector enterprises not only protects and supports the development brand equity (which, as discussed above, has tremendous value) it also creates significant value on its own through decreased risk to operations, lower operating costs, and overall value generation (including increased equity value).

PUBLIC SECTOR BENEFITS

The public sector will benefit from the increased engagement by private sector companies as well. These benefits may help to support current interventions which are inadequately funded or administered. In addition, these benefits may provide for the sharing of 'best practices' throughout the marketplace.

Creating a cooperative, mutually beneficial platform for engagement on this issue will facilitate the capture of benefits for both sectors. In order to motivate the public sector to participate, the following paragraphs describe the potential benefits derived by a strong collaboration with private sector enterprises to eliminate child labor.

<u>Investment Potential</u>

As discussed in the section above, the potential for increased investment in the marketplace through the elimination of child labor will create benefits beyond the enterprise receiving the direct investment.

The 'spill over' effect benefits are not just for individual enterprises, but for the economy as a whole. This improvement in business activity expands market opportunities, creates enhanced tax revenue, and also spurs overall market growth.

Similar to the benefits to private sector enterprises, the public sector can see short- and long-term benefits from increased FDI which results from the elimination of child labor and the strengthening of a more highly skilled workforce.

<u>Stable Marketplace</u>

The stability of the marketplace creates a multitude of benefits for the public sector: It fosters the increase in investment, especially FDI; it encourages the expansion of domestic trade; it increased tax revenue; and it enhances consumer confidence.

As described in the section above, the elimination of child labor is a key factor in creating market stability. The investment in eliminating child labor has a multiplying effect on the resulting benefits for both the private and public sectors.

<u>Enhanced Social Mobility</u>

The creation of a workforce with higher skills is the driver of social mobility. The ability of people to move from poverty to self-sufficiency and prosperity is predicated on their employable skills. The foundation of skill development is a basic, formal education.

Moving children from the labor force into the education system is the key to improved social mobility. Eliminating child labor unlocks the potential for further skill development and breaks the persistent cycle of poverty.

<u>Skilled Workforce</u>

The benefits of a more skilled workforce has positive implications for the economy of Liberia. In addition to the benefits a skilled workforce provides to individual enterprises, it can also help in creating a more diversified portfolio of industry sectors.

Liberia is heavily reliant on natural resources and raw materials. Much of these products are currently exported to other countries where value-added manufacturing takes place. Creating a more skilled workforce can facilitate the localization of value-added manufacturing; keeping more value within the Liberian economy. In addition, it can attract industries which allow for less reliance on finite natural resources such as IT, and telecommunications.

The foundation of a skilled workforce begins with a basic formal education. Investing in moving children from the labor force into education is the key to creating a more skilled workforce.

Recommendations

This section offers recommendations for private sector companies, public sector agencies and departments as well as civil society organizations. The recommendations are intended to create collaboration and partnerships between the various stakeholders in order to enhance the sustainability of the goals of the ARCH project, namely the elimination of child labor.

In order to effectively leverage the child labor policies of the public sector, the interventions of civil society, and the resources and expertise of private sector enterprises, strong and collaborative partnerships are required

These partnerships will require that each sector bring their strengths to bear on a sustainable solution to the challenge of child labor in Liberia and each will have both

PRIVATE SECTOR

The private sector must look to its internal practices to best mitigate the issues of child labor. Many enterprises in the rubber industry have made tremendous strides in addressing these issues within the confines of their property. However, to effectively ensure the elimination of all child labor and the diminishment of their own risk they must look further afield.

Private sector enterprises must reach out to industry peers, value chain partners, civil society, and the public sector and engage more fully in the effort to eliminate child labor. The following recommendations can help guide the private sector's next step.

Recommendations for private sector enterprises include:

- sharing best practices within the industry
- engagement with partners in the value chain
- coordinating efforts through industry groups
- increasing monitoring and enforcement of internal policy beyond current boundaries
- increasing investment in support of skills development for youth
- increasing transparency of child labor monitoring efforts
- greater communication outreach to communities

PUBLIC SECTOR

The public sector has placed a focus on child labor throughout the last decade, however some of their attention and resources have been diverted due to unforeseen and unexpected challenges. The public sector must re-engage with their efforts to eliminate child labor and muster the political will to ensure the appropriate laws become reality.

The lack of capacity and resources will remain a challenge for the public sector in terms of monitoring and enforcement, however this challenge can be mitigated through strategic and collaborative partnerships with the private sector. It is in the best interests of all stakeholders to become more fully engaged in the elimination of child labor and the following recommendations will help to facilitate that engagement.

Recommendations for the public sector:

- better intra-ministerial coordination
- enhanced cooperation with private sector enterprises
- increased monitoring of child labor violations
- multi-stakeholder engagement on child labor issues

CIVIL SOCIETY

The actions of civil society have made tremendous impact on the reduction of child labor. Their tireless efforts to identify the causes and address the needs of the children and families have provided a wealth of best practices.

Sustainability of their actions and the resulting impacts can be supported through more profound engagement with private sector enterprises. Civil society can shift the emphasis of private sector engagement from donor/recipient to monitor/partner. Sharing and enabling best practices while maintaining an overview of private sector activities to ensure the mutual goal of the elimination of child labor is achieve together. The recommendations below can help guide civil society on their engagement with private sector enterprises.

Recommendations for civil society:

- increased monitoring of private sector reporting on child labor
- increased engagement with private sector enterprises to share best practice
- creating partnerships with the private sector to achieve specific goals

Conclusion

Private sector enterprises exist to create value. They achieve this through the products and services they produce and sell, but they also do this through their impact on the communities around them through the creation of jobs and through the way the operate their business.

In order to motivate this value driven sector to take action, we must articulate the desired outcome in terms of its applicable value. This is often called the ‘business case’: It is the cost/benefit analysis of business decisions. This document provides the clear business interests.

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