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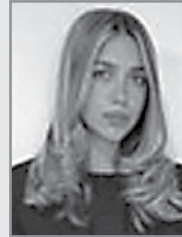
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CHILD LABOUR IN CORPORATE SUSTAINABILITY REPORTS: A CONTENT ANALYSIS OF DISCLOSURES AND CORRECTIVE ACTIONS

Abstract: This article investigates child labour as a fundamental human rights issue in the workplace and examines how multinational companies worldwide address the associated risks in their sustainability reports. Utilising a qualitative content analysis of 32 sustainability reports published by multinational corporations operating in high-risk sectors for child labour, the study evaluates the spectrum of corrective actions implemented to prevent and mitigate child labour. The findings reveal varied corporate strategies, with a preference for preventive measures, whereas detective and reactive measures are less commonly employed. This study contributes to the existing literature on corporate human rights practices by demonstrating how companies convert normative expectations into management responses and highlighting areas where reporting remains ambiguous or symbolic. The implications for policymakers, managers, stakeholders, and directions for future research are also discussed.

Key words: CHILD LABOUR, CORRECTIVE ACTIONS, MULTINATIONAL COMPANIES, SUSTAINABILITY REPORTS, CONTENT ANALYSIS

Introduction

Child labour remains one of the most persistent and critical human rights violations in today's global economy. Despite extensive international condemnation and the establishment of clear legal standards by the International Labour Organisation (ILO), including ILO Convention No. 138 on minimum age and ILO Convention No. 182 on the worst forms of child labour, millions of children continue to be exploited worldwide. This is particularly prevalent in sectors characterised by complex supply chains and weak regulatory oversight (Anker, 2000). Multinational enterprises, which frequently operate in or source from countries with high incidences of child labour, are increasingly scrutinised for their roles in either perpetuating or mitigating such abuses. The use of child labour not only violates basic human rights, but also has profound implications for economic development, education and long-term societal well-being. From a corporate perspective, the presence of child labour in supply chains can damage a company's reputation, lead to consumer backlash and result in legal consequences (Cho et al., 2019; Zutshi et al., 2009). In response, increasing attention is being paid to the role of corporate responsibility and due diligence mechanisms in mitigating such risks, particularly considering evolving legal frameworks such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) in the European Union (EU) (Bueno et al.2024).

While the economic literature has extensively examined the structural causes of child labour, such as poverty, informality and labour market dynamics, most contributions take a macroeconomic perspective (Thévenon and Edmonds, 2019). Far less attention has been paid to how individual companies, particularly multinational corporations, address the issue of child labour through their management practices, governance structures and sustainability reporting. This represents a notable gap in the academic discourse at the intersection of human rights, business ethics and accounting (Islam and McPhail, 2011; Aktar 2013).

To address this gap, this study aims to analyse the sustainability reports of 32 global multinational companies operating in sectors considered high-risk for child labour, such as agriculture, textiles, mining and electronics. By focusing on the disclosed corrective actions, policies and monitoring mechanisms of these companies, the study provides insights into how companies address the risk of child labour in their sustainability reports. The article contributes to a more nuanced understanding of corporate accountability and managerial responses to human rights issues in a global context.

The paper is organised as follows. Section 2 lists the key contributions of the previous literature. Section 3 outlines the methodology used. Section 4 describes the principal findings and provides a discussion. Section 5 presents the conclusions.

Literature review

This section provides an overview of the most important academic contributions to the topic of child labour in the economic and business literature. A considerable body of research has examined the determinants of child labour at the macro level. Basu (2003) considers poverty as the main cause, despite some critical perspectives that emphasise the complexity of intergenerational transmission of poverty and human capital formation. Similarly, Fors (2012) views child labour as a consequence of subsistence poverty, market failure and parental preferences and highlights the need for comprehensive government intervention. Mookerjee and Orlandi (2004) find a negative relationship between the presence of multinational companies and child labour rates in developing countries, both directly and indirectly, suggesting that these companies can reduce the demand for child labour in their operations and among their suppliers. Banerjee and Nag (2013) examine the impact of agricultural trade liberalisation and show that while it reduces the incidence of child labour, it may come at the expense of overall social and family well-being. In terms of outcomes, child labour has been shown to have a consistently negative impact on educational attainment and future employment prospects as wage earners, although it can contribute to short-term work experiences and national economic performance. Findings on health outcomes are mixed (Beegle et al., 2009), but there is broad agreement that high child labour rates hinder human capital development and reduce long-term productivity gains (Fors, 2012). Despite these known harms, the persistence of child labour is widely regarded as a negative side effect of globalisation. Most scholars agree that coordinated action by governments, non-governmental organisations (NGOs) and companies is essential for the elimination of child labour (OECD, 2019).

In the management and accounting field of research, the following contributions can be cited. Following Belal and Cooper (201), child labour is identified as one of the three key environmental justice concerns that companies should include in their Corporate Social Responsibility (CSR) reporting. However, their empirical study in Bangladesh shows that companies often do not disclose information on this issue, primarily due to resource scarcity, a dominant focus on profit maximisation, weak law enforcement, lack of technical knowledge and concerns about potential reputational damage. Subsequent studies by Hossain et al. (2015), also focusing on Bangladesh, show a more differentiated picture. They show that management is paying increasing attention to both social and environmental reporting and that child labour is one of the concerns that is receiving more attention.

A more structural approach is taken by Kolk and van Tulder (2002, 2004), who analyse the “codes of conduct” of companies concerning child labour. In their content analysis, they distinguish between the specificity of the child labour provisions and the mechanisms for ensuring compliance. While some companies set a min-

imum working age, many rely on country-specific standards rather than international benchmarks. In terms of compliance mechanisms, the authors find that multinational companies tend to favour internal monitoring over cooperation with non-governmental organisations, and they note that sanctions for violations are rarely mentioned.

Rudkin et al. (2018) examine how companies deal with negative information about child labour and other social or environmental factors. They identify legitimisation strategies such as fuzziness in disclosure, vagueness, marginalisation and the use of authoritative voices. Despite these findings, child labour remains significantly less researched than other sustainability issues, particularly environmental issues. This statement is supported by Tamimi and Sebastianelli (2017) and Kolk and van Tulder (2002), who assert that a significant proportion of companies fail to formulate specific strategies to combat child labour and that only a minority of companies' codes of conduct contain clear remedies for child labour violations. Despite the low level of attention toward this topic, reducing child labour not only ensures compliance with International Labour Organisation (ILO) standards, but also contributes to improving health, safety and general working conditions in supply chains (Bag et al., 2023).

More recently, Bodendorf et al. (2023) have proposed a framework to identify the key drivers and corporate countermeasures to address the risks of modern slavery, including child labour, within supply chains. Economic, political-legal, social and environmental conditions are identified as key drivers, while technological factors appear to have little influence. Companies tend to prioritise preventive and detective measures, while reactive strategies remain rare. In terms of reporting, the G4 guidelines of the Global Reporting Initiative (GRI) aim to promote transparent disclosure of human rights in companies. However, research by Demir et al. (2022) shows that the level of standardisation is low and communication in sustainability reports is difficult, especially when it comes to stakeholders such as consumers, investors and regulators. Furthermore, Perez Chamorro et al. (2016) highlight that the human rights section of the GRI framework, in which child labour is included, contains the fewest indicators, demonstrating the limited attention the topic receives even in voluntary reporting frameworks.

In summary, the academic literature on child labour in business remains relatively scarce and corporate sustainability reports often pay little attention to this topic. This is true even when international frameworks such as the GRI and the ILO conventions explicitly recognise the importance of child labour in the context of human rights and responsible business conduct.

Methodology

The present research deals with the analysis of child labour in annual sustainability reports published by multinational companies. The final sample comprises 32 companies divided by industries with a high level of child labour risk, selected according to their market capitalisation.

The analysis concerns the evaluation of the corrective actions adopted by companies to face child labour issues and risks by adopting a qualitative content analysis. The framework presented by Bodendorf et al. (2023) is adopted, and the following corrective actions are evaluated:

Ex-ante interventions:

1. Preventive measures adopted by companies to avoid or reduce the risk of child labour incidents in business activity.
2. Detective measures adopted by companies to analyse and identify child labour risk in business activity.

Ex-post intervention:

1. Reactive measures adopted by companies after the advent of an event regarding child labour in business activity.

The first step of the analysis is executed by creating a dictionary of words that are related to child labour. While the second step is performed with the assistance of a related dictionary divided into three main parts. Each of these parts represents a type of corrective action that multinational companies can adopt to address child labour issues and risks. Codified paragraphs according to the child labour “general” dictionary are then analysed using the second dictionary, and the interrelation matrix has been evaluated.

Results and discussion

- *Descriptive Statistics* -

Before establishing the content analysis methodology, an explanatory analysis is conducted on the selected sample. This analysis utilises three primary measures: country, sector distribution, and evaluation of the principal characteristics of the companies. The results are shown in Table 1. From a geographic viewpoint, the US has the highest representation with 14 MNEs, followed by Japan (5), the UK (3), France, and Taiwan (2). On the other hand, China, Italy, Norway, Spain, Sweden, and Switzerland only have one company in the basket. From an industry point of view, the “food and tobacco” industry is the most represented at 28.13%, followed by sem-

iconductors and semiconductor equipment and special retailers at 12.50%, and oil and gas at 9.38%. Personal and household goods and services, as well as textiles and clothing, are tied at 6.25%, whereas all other sectors are equally represented at 3.13% of the total sample. Furthermore, market capitalisation is used to evaluate industry coverage and identify the most dominant industries in this context. The semiconductor and semiconductor equipment industry has the highest capitalisation (28.99%), followed by chemicals (17.95%), diversified industrial goods wholesalers (16.37%), and consumer goods conglomerates (16.33%). The sectors with the least capitalisation in the sample are Food and tobacco (1.37%), Media and publishing (0.29%), Specialised Retail Trade (0.63%), Textiles and clothing (0.65%), and Diversified Retail Trade (0.10%).

Table 1: *Country, industry and market cap. Distribution*

Country	Rel. Frequency	Industry	Rel. Frequency	% market cap
China	3.13%	Chemicals	3.13%	17.95%
France	6.25%	Computers. Phones & Household Electronics	3.13%	5.09%
Italy	3.13%	Consumer Goods Conglomerates	3.13%	16.33%
Japan	15.63%	Diversified Industrial Goods Wholesale	3.13%	16.37%
Norway	3.13%	Diversified Retail	3.13%	0.10%
Spain	3.13%	Electronic Equipment & Parts	3.13%	10.49%
Sweden	3.13%	Food & Drug Retailing	3.13%	0.82%
Switzerland	3.13%	Food & Tobacco	28.13%	1.37%
Taiwan	6.25%	Media & Publishing	3.13%	0.29%
U. K.	9.38%	Oil & Gas	9.38%	0.59%
U.S	43.75%	Personal & Household Products & Services	6.25%	0.33%
		Semiconductors & Semiconductor Equipment	12.50%	28.99%
		Specialty Retailers	12.50%	0.63%
		Textiles & Apparel	6.25%	0.65%
Total	100.00%	Total	100.00%	100.00%

Evaluation of the strategies adopted by companies.

The following section reviews the strategies employed by companies to address child labour issues. These findings are based on the analysis of coded segments resulting from the intersection between the child labour dictionary and the corrective actions dictionary. This approach allows for the determination of the total count of each type of strategy used by each company. A total of 614 segments were analysed using the intersection matrix and sorted by the implemented corrective actions. Results are shown in Table 2. The findings demonstrate the widespread adoption of the preventive approach in organisational security measures. The preventive approach is the most commonly used and reported by organisations, with a total score of 258, followed by the detective approach (183) and the reactive approach (173). From a geographical standpoint, the top scores are held by the United States, the United Kingdom, and Spain. Moreover, the industry classification reveals that companies operating in the Food and Tobacco and Speciality Retailers sectors exhibit a higher level of strategy disclosure.

These findings are consistent with what Bodendorf et al. (2023) previously found about the risk of modern slavery in the supply chain. That is, despite the low level of concern about child labour, most of the initiatives taken by the companies in the sample focus on prevention, using research, analysis, policy adoption and awareness raising. Less attention is paid to detection measures, which in turn relate to increasing transparency in disclosure, monitoring the use of innovation and being able to predict risks and incidents. The least adopted measures relate to control and punishment, which were identified as key activities in reactive corrective actions. It can therefore be seen that companies prefer to adopt ex-ante solutions, represented by prevention and detection, rather than taking action to eliminate or resolve the problem of child labour. Flynn and Walker (2021) support this thesis by categorising the actions taken by companies into structural, policy and practical responses. The most used strategies are compliance with international human rights treaties or updating existing policies, the introduction of more sophisticated modern slavery metrics, risk management and risk assessment, enforcement of laws and, finally, training for employees and suppliers, all measures taken to address institutional pressures and prevent incidents. These findings are also supported by Parsa et al. (2018), who found that while companies report on child labour as a forced labour practice and cite measures to prevent associated risks, they consistently omit related incidents. In line with Ruggie (2008) and United Nations' frameworks, activities to identify, prevent and mitigate human rights issues can be included in the concept of human rights due diligence (HRDD), but these activities are only implemented by companies in response to soft and binding rules from governments and international organisations such as the EU (Lafarre and Rombouts, 2022).

Table 2: *Corrective actions*

	PREVENTIVE	DETECTIVE	REACTIVE	TOTAL
Average	8.06	5.72	5.41	19.19
Standard error	1.22	1.23	1.07	3.16
Median	6.00	4.00	4.00	13.50
Mode	5.00	4.00	0.00	0.00
Standard deviation	6.92	6.96	6.05	17.89
Sample variance	47.87	48.47	36.64	319.90
Curtosis	0.34	5.24	3.00	1.45
Skeweness	1.05	2.23	1.62	1.40
Minimum	0.00	0.00	0.00	0.00
Maximum	25.00	30.00	26.00	66.00
Sum	258.00	183.00	173.00	614.00

Conclusions

The research focuses on the issue of child labour in the sustainability reports of multinational companies at a global level. To investigate this issue, a content analysis was conducted to assess the corrective actions taken by companies to address the issue of child labour. The results show that companies in industries where there is a significant risk of child labour or where child labour has been used in the past tend to take preventive measures rather than detective and reactive measures. These findings provide contributions to the development of research. This study extends the existing literature on child labour by analysing reporting and disclosure practices in detail. In addition, the content analysis provides valuable insights into the selection of measures to address child labour issues. Finally, the study highlights the significant differences in reporting practices between industries and countries. From a managerial perspective, these findings underline the need for a more comprehensive and integrated approach to human rights due diligence, particularly with regard to child labour. Firstly, managers should move beyond a compliance and reputation-driven logic and integrate children's rights considerations into core business operations and risk management processes. This requires robust detection systems, ongoing monitoring, and transparent reporting practices that enable stakeholders to meaningfully assess the organisation's performance. Secondly, the adoption of preventive measures should be complemented by con-

crete remedial action in cases where child labour is identified. This includes working with local stakeholders, non-governmental organisations and governments to find long-term solutions that address the root causes. Finally, companies should strive to improve the quality and scope of their disclosures, taking guidance from international frameworks such as the UN Guiding Principles on Business and Human Rights (UNGP) and the ILO Child Labour Conventions.

The study is not without its limitations, especially regarding the sample selected, as we recognise that the 32 companies do not represent all multinational corporations worldwide. Nevertheless, this study was intended as a first test. In the future, larger and more diverse samples could be studied to provide a solid basis for further research on the important topic of child labour prevention and mitigation in the business context.



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ДЕЧЈИ РАД У ИЗВЕШТАЈИМА О ОДРЖИВОМ ПОСЛОВАЊУ: САДРЖАЈНА АНАЛИЗА ОБЕЛОДАЊИВАЊА И КОРЕКТИВНИХ МЕРА

Сажетак: Овај чланак истражује дечји рад као основно питање људских права на радном месту и анализира на који начин мултинационалне компаније широм света приступају ризицима повезаним са дечјим радом у својим извештајима о одрживом пословању. Користећи квалитативну садржајну анализу 32 извештаја о одрживости које су објавиле мултинационалне корпорације које послују у секторима са високим ризиком од дечјег рада, студија процењује спектар корективних мера које се спроводе ради спречавања и ублажавања дечјег рада. Налази показују различите корпоративне стратегије, са нагласком на превентивне мере, док се детективне и реактивне мере ређе примењују. Ова студија доприноси постојећој литератури о корпоративној пракси у области људских права, показујући како компаније претварају нормативна очекивања у управљачке одговоре и указујући на области у којима је извештавање и даље нејасно или симболично. У раду се такође разматрају импликације за доносиоце политика, менаџере, заинтересоване стране и правци будућих истраживања.

Кључне речи: ДЕЧЈИ РАД, КОРЕКТИВНЕ МЕРЕ, МУЛТИНАЦИОНАЛНЕ КОМПАНИЈЕ, ИЗВЕШТАЈИ О ОДРЖИВОСТИ, САДРЖАЈНА АНАЛИЗА