



Gold from children's hands

Use of child-mined gold by the electronics sector

Summary | November 2015

Objective of the research

This report is written for the Stop Child Labour Coalition with the aim of providing insights into the magnitude and seriousness of child labour in artisanal gold mining. It further seeks to establish the relation between gold mining, including supply chain linkages, with the third largest buyer of gold: the electronics industry. To this end, a field study in Mali examined the conditions of child workers at the artisanal gold mining sites.

Results

The report shows that, in several cases, gold from artisanal mines in Africa where child labour is documented has ended up at the leading gold refineries located in Switzerland. Valcambi and Metalor are specifically mentioned, but the situation is not limited to these refineries. Rather, the case is illustrative of the fact that also the big refineries, which are properly certified, accept this gold without taking sufficient due diligence measures. Valcambi and Metalor are included in the supply chain of many electronics companies, as can be corroborated through the Specialized Disclosure Reports listing 3TG smelters and refineries. The linkages selected for this report describe the routes from Ghana, Burkina Faso and Mali to the refineries in Switzerland or to Dubai.

The use of children in artisanal gold mining is widespread; the ILO and the US Department of Labour have determined that this worst form of child labour occurs in 26 countries across Africa, Asia and South America. The most frequently used estimation is that around one million children work in gold mining worldwide. However, the actual number is probably much higher, and the ILO expects the figure is increasing, in sync with the ongoing growth of artisanal gold mining. Recent observations at mining sites in Burkina Faso indicate that between 30% and 50% of the labour force in gold mining were children.

The field research in Mali

Twenty percent of all miners in Mali are children. They work long hours alongside their adult colleagues, carrying heavy loads. In 2009, the number of artisanal gold miners was estimated at 200,000; the Chamber of Mines of Mali, however, estimates the current number at one million, which would raise the number of children now working in Malian gold mines to 200,000. These children are sent to mining sites by their families for economic reasons. In Mali, girls generally start from the age of 8 washing the ore, while boys start later, at around 12 years of age. The tasks assigned to the youngest workers include transporting and processing ore (including pulling up and washing the ore); transporting it on their heads or backs, only occasionally ◊

in wheelbarrows or pushcarts; crushing, grinding, pounding and sifting the ore and gold panning; fetching water; looking after the babies on the site; preparing and selling meals and food. Most often, underground work is reserved for adult men.

While artisanal gold mining is dangerous for adult miners, the impact is even harder on children. The research in Mali reveals not just the physical damage, but also how it affects their development and thwarts their future as they drop out of school. Work-related illnesses include respiratory and pulmonary disease from excessive exposure to dust, skeletal injuries from heavy lifting, various eye and skin conditions (body wounds that become infected in the poor hygienic conditions of the ponds that some children stand in all day), and fatigue because of the long hours and hard work. Shaft accidents and exposure to mercury were not encountered during this research but they are a known problem in artisanal gold mining. All this against the backdrop of widespread malnutrition in Mali. Food at mining sites is consequently both low in quality and insufficient to get through the day.

The use of gold by the electronics sector

This research shows that the amount of gold used by the electronics sector is about 279 tonnes, accounting for 6.7% of the total gold demand in 2014. Gold is important for the electronics sector, as it is an excellent conductor of electricity and is therefore used for printed circuit boards, processors, semiconductors, etc. An average smartphone contains 30 mg of gold, a tablet about 104 mg and an LCD television 140 mg. The quantities in each device might be small, but they add up to a large amount of gold. In 2014, more than 1.2 billion smartphones were sold worldwide, containing 37,347 kilos of gold.

Global gold supply

The global gold supply from mining in 2014 is estimated by the gold sector at 3,133 tonnes. This accounts for 74% of the total supply; the remainder comes from recycled gold. How much of the mined gold comes from artisanal mining is difficult to determine. Reliable statistics are not available, as artisanal gold mining is often informal, or even illegal, and much of the artisanal gold is smuggled out of the country and does not appear in official export figures. The most robust estimate is that artisanal gold has currently reached 15 to 20% of global gold production.

It is expected that artisanal gold production will increase in the coming years while industrial large scale mining is expected to remain stable. Africa's total share in gold production, for its part, is growing; this is largely due to increased production in countries like the DRC, Burkina Faso, Tanzania, Ghana and Mali. After South Africa (industrial mining), the largest African gold producers are Ghana,

Mali and Tanzania, followed by the DRC, Burkina Faso, Sudan, Guinea and Zimbabwe.

The gold supply chain

International gold refiners are the key players in the global gold supply chain, as they operate as the interface between end-users and gold suppliers. Switzerland is the world biggest hub for gold refining: processing around 70% of the world's gold. Gold refiners receive unrefined gold originating from both industrial and artisanal mining, as well as scrap (discarded gold suitable for reprocessing).

Industrial gold is supplied by medium and large gold mining companies, while the routes followed by artisanal gold are far more complicated. The local supply chain of artisanal gold starts with an on-site buyer who sells to a local trader, who in turn, sells to a local exporter. From here, it is exported to the refiners, either directly or through international gold traders. But the gold can also reach the refiners through another route, through the process of mixing illicit gold (from artisanal mining) into the formal trade channels. This often requires smuggling, falsification of documents (classifying the gold as scrap), and over-reporting of legal production. Despite the fact that almost all bigger refineries are certified (e.g. by the Conflict Free Smelter Program, the London Bullion Market Association or the Jewellery Council) neither the gold sector nor the electronics sector are taking any steps to eradicate child labour from gold mining.

Alongside artisanal gold's non-transparent and complicated supply chain towards the refiners, two points on the route make gold difficult to trace and track: Dubai and Shanghai. Dubai plays a major role in smuggled gold, as 80% of the artisanal gold from the Great Lakes Region – countries such as Uganda, Tanzania and the DRC – is smuggled into the city. Despite the pressure the UN Security Council has put on Dubai in recent years, the authorities have failed to take any measures. Shanghai, on its part, has all gold traded through its Gold Exchange comingled; in the absence of any records regarding the origin of the mineral, it becomes almost impossible for electronics companies to trace the origin of the gold bought through Shanghai. To make matters worse, China requires that all imports of gold must go through the Shanghai Gold Exchange.

Initiatives by the electronics sector

In 2010, the electronics sector launched what was hailed at the time as a ground-breaking initiative on transparency around conflict minerals: the Conflict Free Sourcing Initiative, now used by over 200 companies from seven different industries. The electronics sector has proven to be capable to set up and lead initiatives that concern the far end of their production chain. Some individual companies have taken further steps and become involved in in-region



Children at Kola and Ouroun gold mining sites, Mali

programs on the ground, in support of responsible sourcing from conflict areas. The Conflict Free Smelter Program, however, does not address the occurrence of child labour in the conflict affected areas. Child labour in gold mines outside conflict affected areas falls beyond the scope of the initiative, and the codes of conduct of the electronics companies – all of which include a ban on child labour in their supply chains – do not reach the gold mines.

Conclusions

Artisanal gold produced with the involvement of children ends up in the electronics supply chain. Although child labour is rampant in gold mining, and despite the fact that the working conditions can be very harmful to children, the electronics industry currently has no mechanisms to ensure child labour does not occur in the mining phase of their supply chain. The attention devoted to minerals by the electronics industry has so far been confined to a focus on conflict-free minerals, and the results are mostly limited to a reporting scheme within the Conflict Free Smelter Program.

Recommendations

Policies and practices should be aiming at eliminating child labour in the mining of gold, but should not be directed at eliminating artisanal gold mining. Artisanal gold mining is providing income for 10-15 million artisanal miners and their families and communities, therefore eliminating this form of livelihood would have an enormous impact. It is important to take measures that will make the elimination

of child labour an integral part of all efforts to improve the overall artisanal mining and labour conditions for (adult) workers. Part and parcel of such an improvement at artisanal mining sites are measures that are focused on ensuring internationally accepted labour rights as defined by the ILO and by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Apart from eliminating child labour, these are: ensuring safe working conditions, banning of forced and compulsory labour; any forms of torture, cruel, inhuman and degrading treatment; other gross human rights violations and abuses such as widespread sexual violence and accompanying measures focused on reaching a stable family income as well as sustainable communities.

Electronics companies should acknowledge that their responsibility also applies to the mining phase, including the (artisanal) mining of gold; improve current due diligence efforts related to conflict minerals and stimulate refiners to take up an active role in these efforts too which includes integrating internationally accepted labour rights, including child labour, in the Conflict Free Smelter Program, following the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area; move beyond the area of conflict minerals in their due diligence with regard to the gold used in their products which implies not focussing solely on gold sourced from the DRC and neighbouring countries but extend policies to all countries producing (artisanal) gold.

Colofon

*This paper is a summary of the report
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