

CHAPTER I

INTRODUCTION

A. Background

Demand for cosmetics are predicted to grow at a CAGR (Cumulative Annual Growth Rate) of 4.3% from 2016 to 2022. The makeup and beauty goods industry is a mixture of ingredients that are primarily designed to improve the human look or smell. These products are often used by the public: sun-care products, skin-care products, hair-care products, fragrances, and cosmetics. (Allied Market Research, 2015)

L'Oréal Group is the world's largest cosmetics firm, having been established in the year 1909. L'Oréal Group is a consumer goods firm based in France. L'Oréal became the world's largest personal care company in 2017, with a brand valuation of \$23.89 billion USD. The company's combined annual growth rate rose by 4.2 percent between 2015 and 2018. In 2017, L'Oréal employed 82,600 people worldwide and produced US \$26.2 billion in consolidated revenue. L'Oréal's cosmetics division mainly focuses on skincare, hair care, make-up, hair dye, and perfume, with the company's worldwide cosmetics sales hitting 28.5 percent in 2016. (Shahbandeh, 2018)

As a giant cosmetic company, L'Oréal has collaborated with other countries in the supply of raw materials to be processed into high quality L'Oréal products. Countries that supply mica for L'Oréal in this regard are India and United States. Mica is a mineral that occurs naturally. It is used in pigmented products such as powder foundations to provide opacity and give the pigment a lustrous- pearl appearance. In L'Oréal products, mica is an ingredient that is safe to use in lip makeup, nail polish and foundation to its various properties and benefits. Most mica that comes from India is the high

quality mica because of their high performance properties. It provides shine and is used for better protection for powder foundations. (L'Oréal, 2020)

L'Oréal realizes that so far the source of mica supplies they receive from India is not transparent and is suspected of involving child laborers to collect mica, L'Oréal took this topic seriously and began planning repair solutions for its mica supplier in India.(Reuters,2017) L'Oréal is committed to respect and promote human rights through their supply chain as stated in L'Oréal's code of ethics. It was explained that if L'Oréal's foreign suppliers were being investigated on charges of forced labor, L'Oréal would immediately submit them to the L'Oréal Social Audit which involved sending an outside auditor to verify the facts about the practice of deviant work. L'Oréal is also trying to convince suppliers to take a corrective action plan.(Ethics, 2021)

According to the EWG (Environmental Working Group) cosmetics database, L'Oréal sells 948 products on the US market that contain mica, such as foundations, concealers, lipstick, mascara and eye shadows. Brands owned by the L'Oréal Group that have the most products containing mica comprise Maybelline (553 products) and L'Oréal Paris (363products). (EWG Skin Deep, 2020)

Illegal mines, on the other hand, were discovered in the north of Jharkhand and the south of Bihar, especially in and around the three major 'mica regions.' They are Koderma in Jharkhand, Giridih in Bihar, and Nawada in Bihar. DanWatch observed illegal mines ranging from a simple hole in the ground to a 10 meter deep pit connected by a tunnel system. It is illegal to extract mica from unofficial mines, but illegal mining is widespread and has been going on for decades, especially among the area's poorer residents, who are often without farmland or any means of earning a living. (DanWatch, 2014)

As mentioned by Sanjay Kumar Mishra, a member of the State Commission for the Protection of the Rights of the Child, there is no genuine information about the number of child laborers in the state mica mine. The children who work on Indian mica mines do not use any safety equipment. They are also using sharp pointed machines while they are working. Children may be buried when a collapsed mine shaft collapses, and heavy mica loads are carried by small ladders. Mica mines are not safe for children. Children breathe in dust from stone cutting and it can interfere their lungs health. (Antislavery, 2010)

Since the illegal mica mines widespread in India, the companies who bought mica from India can not determine the transparency sources of their mica. There is no guarantee whether the mica was illegal or legal since they bought it from biggest mica seller in the town. The fact is the child labors would not directly sell it to town. They might sell it to a small seller with cheap price and then it would move away to biggest mica seller in town. (DanWatch, 2014)

This research will analyze the contribution of L'Oréal as one of the biggest cosmetic company in responding to the widespread use of child labor as an initial supplier of illegal mica ingredients, where mica is one of the important ingredients of its companies' products.

B. Research Question

Based on the background and the understanding of problem's background, the research question is formulated as follows:

- How Does the Contribution of L'Oréal to Eradicate Child Labor in Indian Mica Supply Chain?

C. Theoretical Framework

The author will apply a theoretical frameworks to analyze the answers of research question.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles apply to all countries and businesses, both transnational and domestic, regardless of their scale, industry, place, ownership, or structure. In attempt to individuals from communities or peoples at greater risk of being disadvantaged, oppressed and with due regard to various risks facing women and men to be applied, the UN guiding principles should be applied without prejudice with specific focus on the rights and needs of and the challenges faced with. (UNGP's, 2011)

These are designed to bridge the fairly harsh contradictions between human rights activists and corporations. Problems related to the operation of corporations with human rights violations have emerged in the 1990s along with the expansion of transnational companies. This caused a prolonged polemic and it was difficult to find a middle ground even by the Human Rights Commission at the United Nations. (UNGP's, 2011)

Then in 2005 the Secretary General of the United Nations appointed a special representative to follow up on this matter, Prof. John Gerard Ruggie was appointed to formulate a basic framework that could bring together business interests and human rights. In 2008, Prof. Ruggie successfully developed a framework for Business and Human Rights. This framework consists of three pillars, they are *“The State’s Obligation to Protect Human Rights, The Corporate Responsibility to Respect Human Rights, and Access to Remedy”*. Then in June 2011, the UN Human Rights Council ratified the framework into the Guiding Principles for Business and Human Rights.

However, this research focuses on the pillars of the corporate responsibility to protect human rights and access to remedy. Whereas Loreal Group acts as a multi-national corporations that contribute in breaking the chain of child labor mica mining in India that violates human rights. (Konsil LSM Indonesia, 2018)

1. The Corporate Responsibility to Respect Human Right

One of the second foundational principle is “*Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved*”. (UNGP's, 2011)

The human rights due diligence methods and procedures involved in the second pillar include assessing current and potential human rights impacts; integrating investigation results and taking actions; tracking feedback and communicating how to resolve negative impacts.

Companies are required to take appropriate action. Whether the company causes or contributes to an adverse impact, or is the company involved solely because the impact is directly related to the operations, products or services in its business relationship. And the company must consider the level of leverage (influence) of the company in overcoming the negative impact. (Prihandono,2015)

L’Oréal as a company that buys mica from India is also responsible for the phenomena of human rights violations in their supply chain. As written in the Loreal code of ethics, ensuring the fulfillment of human rights for L’Oréal employees is one of L’Oréal's responsibilities. However, L’Oréal and 21 other industrial companies that also use mica as their raw material take the initiative to establish a non-profit organization called the Responsible Mica Initiative (RMI)

which is devoted to ensuring legal use of mica from India and seeks to break the chain of child labor mica mining in India. (Global Cosmetic News, 2017)

2. Access to Remedy

One of the foundational principle is “*As part of their duty to protect against business-related human rights abuse, States must take appropriate steps to ensure, through judicial, administrative, legislative or other appropriate means, that when such abuses occur within their territory and/or jurisdiction those affected have access to effective remedy.* (UNGP's, 2011). An effective recovery mechanism that can be carried out by a company is that the company has clear and known procedures. The procedure has a time limit for each stage, and clarity on the form of the process to result the decisions and monitoring of the implementation of decisions ,both in product supply and production processes.

L'Oréal uses the Responsible Mica Initiative as an effort to account for the illegal use of mica. L'Oréal, through a program designed by RMI, makes improvements and improves the quality of life for children and communities living around the mica mines in Jharkhand and Bihar, India.

Today, 98% of L'Oréal's mica comes from completely verified sources. By partnering with stakeholders (industries, NGOs,) and mica buyers through the RMI, L'Oréal contribute to ensuring that the sector is responsible, ethical and protects children. By continuing to source mica in India via a transparent and traceable supply chain, L'Oréal encourages to foster the economic development and improve the living conditions of workers in India. (L'Oréal, 2020)

D. Hypothesis

Based on theoretical frameworks, it is proposed the following hypothesis. The contributions of L'Oréal to eradicate child labor mica mining in India are:

1. L'Oréal and 21 other companies using mica as raw materials take the initiative to establish a non-profit organization called RMI in order to eradicate child labor mica mining in India..
2. L'Oréal ensures their supply of mica from India is legal.

E. Purpose Of Research

The purpose of this research are :

1. To describe and explain the phenomenon of child labor mica mining in India.
2. To describe and explain the contribution of L'Oréal to eradicate child labor in India.

F. Research Method

This research is structured using a qualitative approach. According to (Creswell, 2014) Qualitative research is a method of investigating and comprehending the significance that individuals or groups ascribe to a social or human problem. The study method includes evolving questions and techniques, usually collected data in participants' circumstances, inductive data analysis based on details to general themes, and the researchers interpreting the significance of the data. Sources of research data in this thesis use secondary data, where the sources are taken from public documents, private documents, newspapers, official websites, magazines and journals. Secondary data is data obtained or

collected by researchers from existing sources so that the researcher acts as a second hand.

G. Writing System

Chapter I explains the introduction of the thesis includes the background, research question, theoretical framework, hypothesis, purpose of research, and research method.

Chapter II describes and explains the background of L'Oréal Group. It also explains the phenomena of child labor, especially the child labor mica mining in India. Further the contribution of L'Oréal to eradicate child labor mica mining in India.

Chapter III provides the conclusion of thesis.