
Development Economics

Lecture 19: Child Labor
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ECON 2273

This lecture

1. Child labor as relates to education
2. Some policy implications

Child labor

- So far, only considered costs and benefits to person getting education
- But parents typically bear the costs of schooling
 - Both direct school fees, and loss of money from child labor
- Parents may not benefit directly from children's education, but typically assume that they make the investment decision on child's behalf
- Child labor represents an additional cost to education—the child could be helping family earn
- The *opportunity cost* of education is not zero

Child labor

- Somewhat difficult to get good numbers on child labor
 - Often illegal, and so poorly reported
- International Labor Office (ILO) of the UN estimates:
 - 120 million children (5-14) working full time
 - Additional 130 million working part time
 - Many more children work at home
- Sometimes dangerous, often tedious work
 - Sometimes sexual exploitation

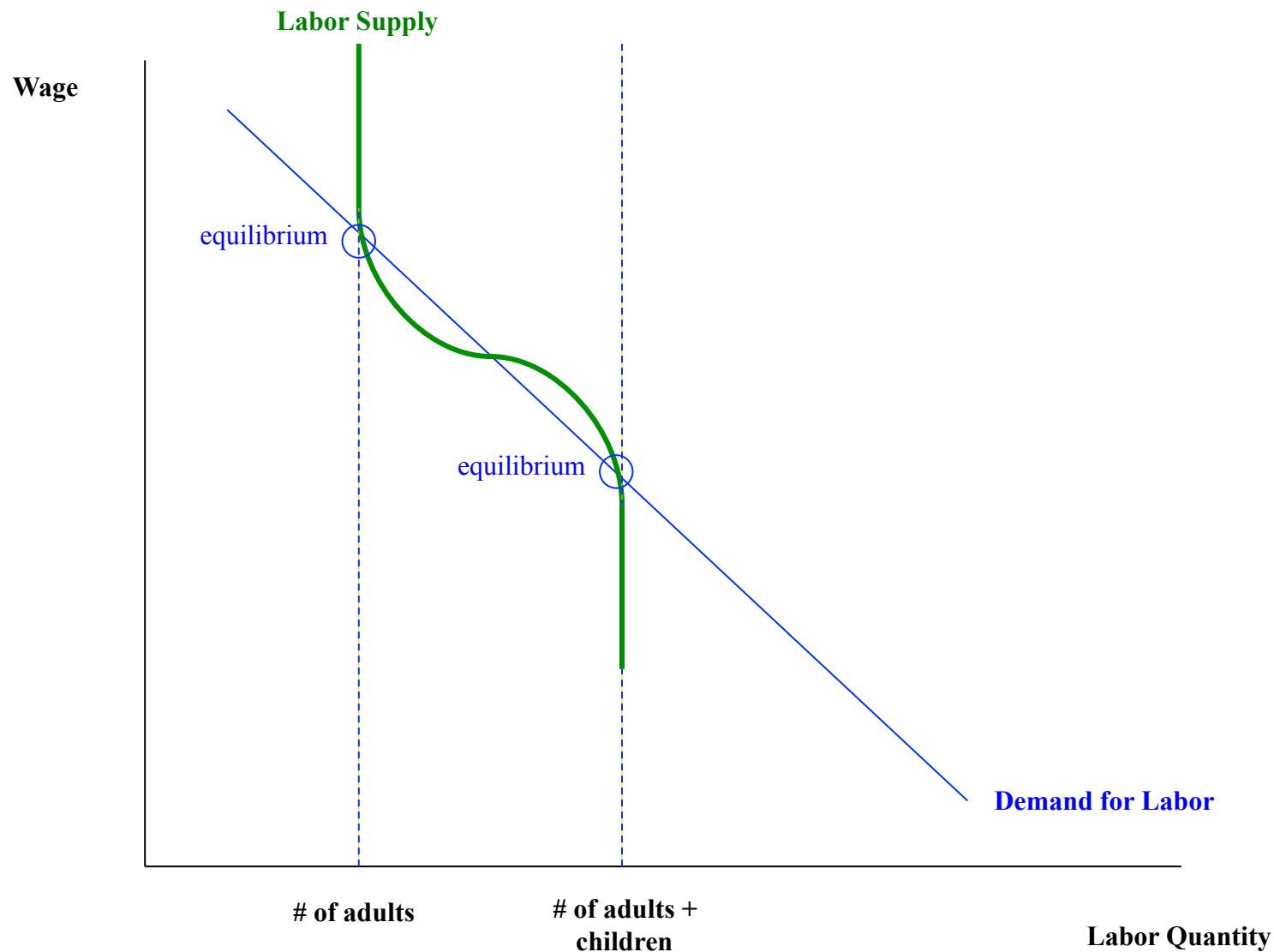
Child labor

- Clear that the worst forms of child labor (like all abuses of labor) are wrong
- Not so obvious that all child labor wrong in the economic sense, and should be banned
 - Child labor may provide valuable resources to the family and to the child
 - Recent evidence suggests that tradeoff between school and child labor not so simple
 - Many children who are not working do not go to school either, so tradeoff not between working and school, but between working and inactivity

Child labor: Simple model

- When does it make sense to ban child labor?
- A simple model from Basu (JEL 1999)
 - All adults work at the available wage w
 - Children may work, but adults will not send children to work unless adults are not earning enough money themselves
 - Children can do adult work (although possibly less well) so adults and children are substitutes
 - Downward demand for labor

Child labor: Simple model



Basu (JEL 1999); figure 8.3 on page 380 in T&S

Child labor: Simple model

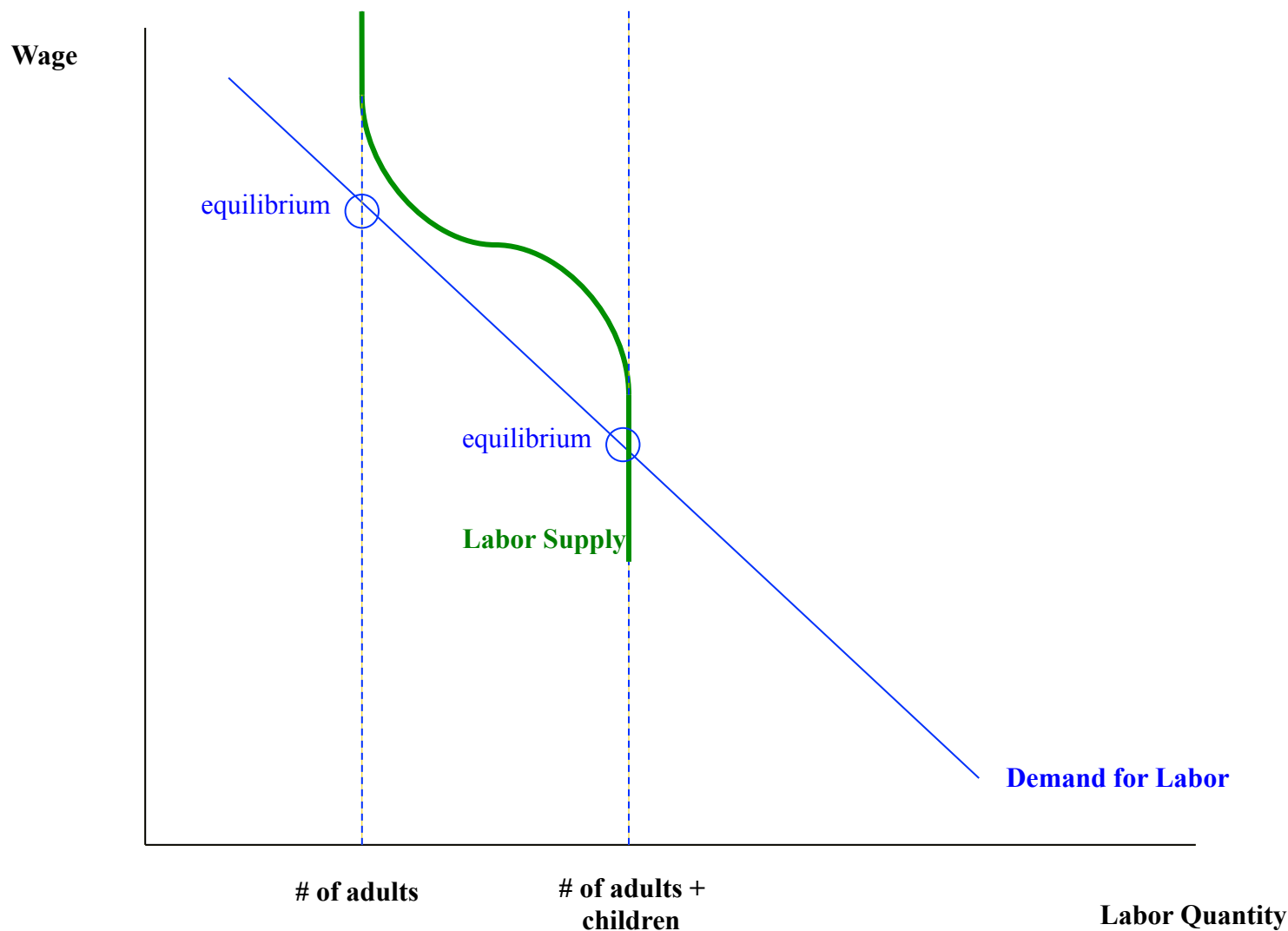
- Since supply of adult labor highly inelastic (vertical), adult labor does not change when wages change
- But family balances needs now versus investment in education for later, and if adult earnings are low enough children need to work
- So for some wages labor supply is downward sloping
 - Not common, usually expect more labor as wages increase, not more labor as wages decrease

Child labor: Simple model

- With a downward (and non-linear) supply curve, the downward demand curve for labor can cross labor supply twice
 - It does not have to---if demand very high, wages high and only adults work
- Two possible wage and labor supplies
 - Low wage, children work
 - High wage, children don't work
- Both are equilibria!
- Ban on child labor forces to be at high wage, no child labor equilibrium, improves for everyone.

Child Labor: Simple model

- If only one equilibrium, ban could be bad for families—may lead to illegal child labor



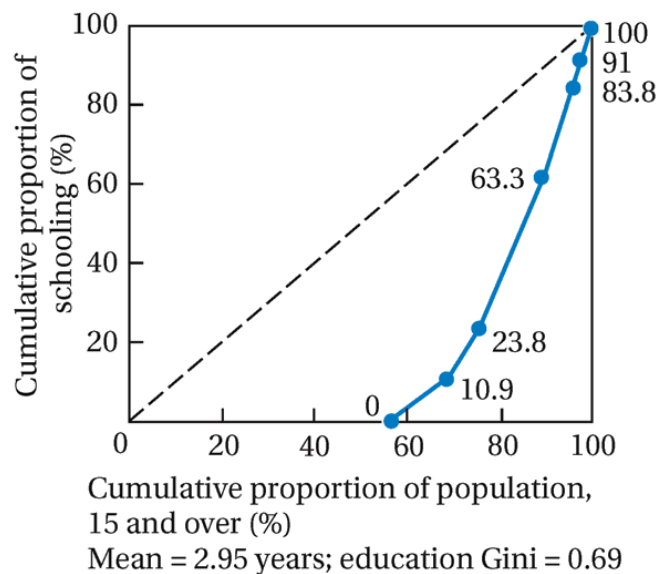
Differing approaches to child labor

1. Child labor linked to poverty, so emphasize reducing poverty (*World Bank*)
2. Get children into school (improve returns to school) (*developing country governments*)
 - Build more schools, conditional cash transfers (*Latin America*) –pay parents to send children to school; school meals (*India*) –feed children in school
3. Make less dangerous or abusive (*UNICEF*)
 - Expand educational access even while working
4. Ban child labor, or at least the worst forms (*ILO*)

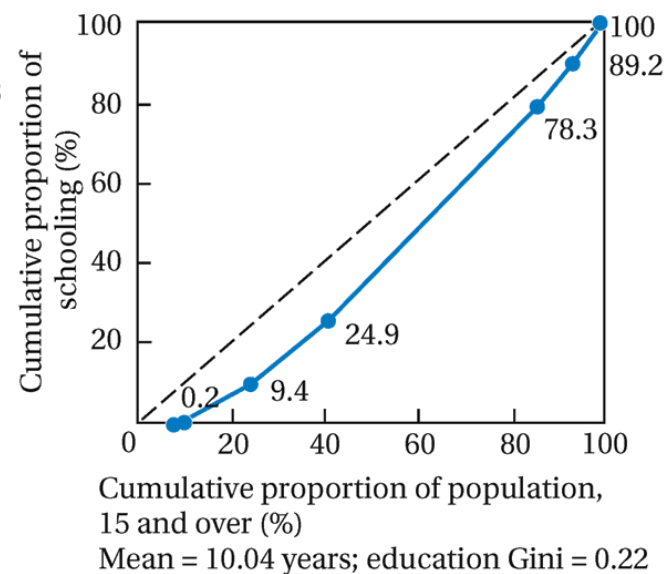
Education policy

- Where should education resources be spent?
- Many developing countries have highly unequal spending
 - Lots on tertiary spending
 - Not as much on primary spending
- Despite evidence suggesting that spending on primary education has higher return
 - Institutional argument: Political Power leads to spending which benefits elites (universities) which perpetuates political power

Inequality of education in developing world

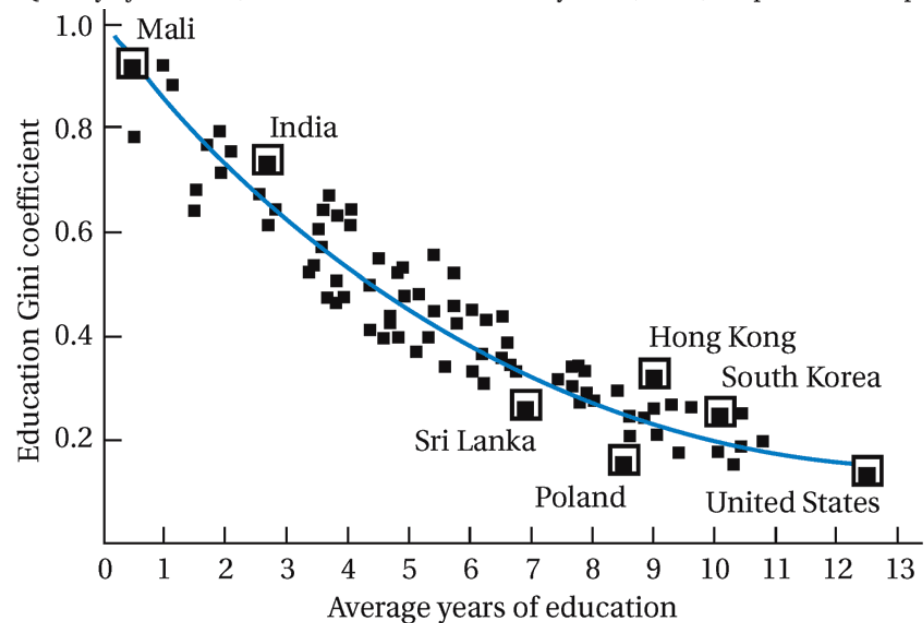


(a) Schooling in India



(b) Schooling in South Korea

Source: World Bank, *The Quality of Growth* (New York: Oxford University Press, 2000). Reprinted with permission.



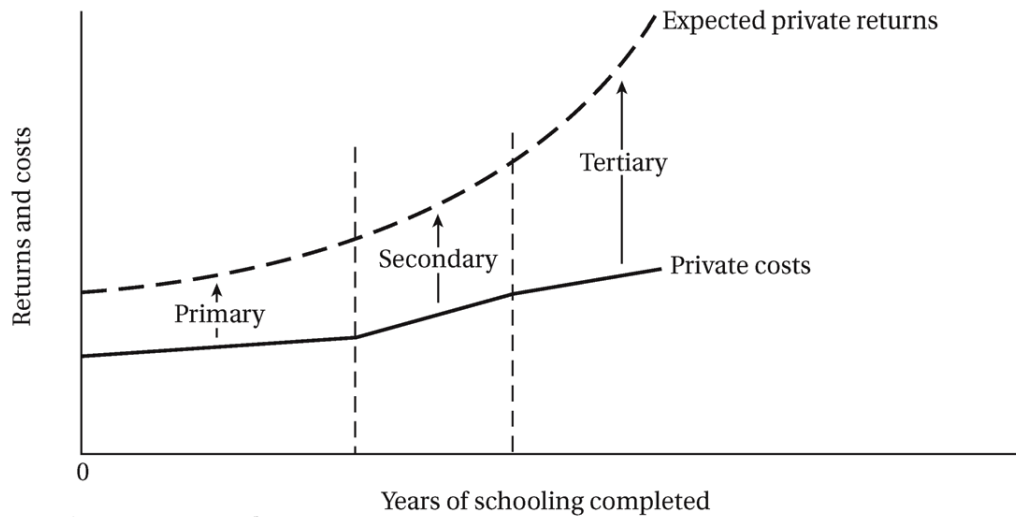
Source: Todaro and Smith (2009)

Source: World Bank, *The Quality of Growth* (New York: Oxford University Press, 2000). Reprinted with permission.

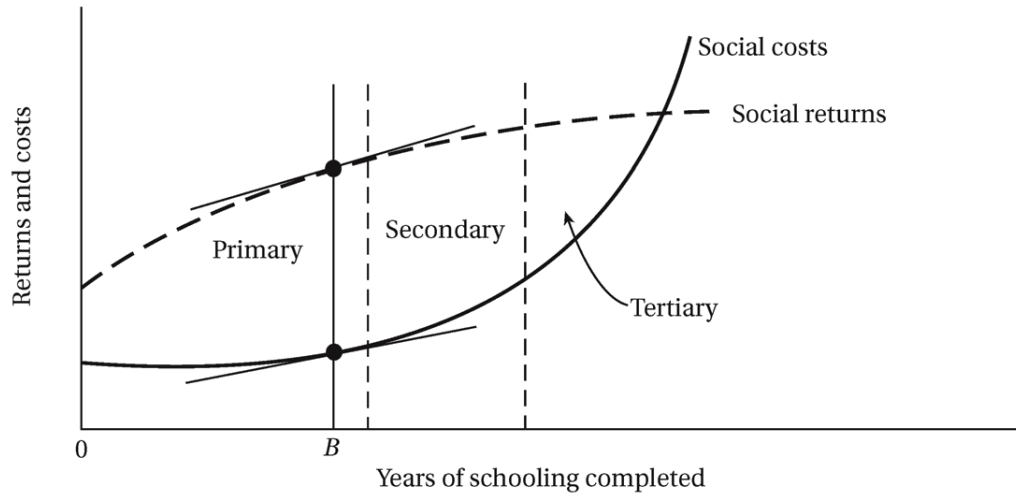
Education policy

- Where should education resources be spent?
- Marginal Social Benefit=Marginal Social Cost
 - Since primary school tends to have the highest marginal benefit, and the lowest marginal cost, spending more on primary school makes sense
 - Universities are expensive, and may provide relatively little social benefit
 - But remember that growth comes from technology—so maybe university returns very high
- But it is hard to estimate returns, so lots of uncertainty

Education policy



(a) Private returns and costs



(b) Social returns and costs

Education policy: School inputs

- Lots of disagreement (and lots of bad work)
 - Cannot simply compare schools, or students
- Example: Do smaller class sizes improve education?
 - Schools with smaller classes have better test scores
 - But schools with smaller classes typically are in richer areas, with parents who care more
 - Difficult to separate out effects
 - Several good studies do suggest class size makes a difference

Education policy: School inputs

- *Caveat Emptor!*
- Anne Case: “In spite of all the papers written on the relationship between school inputs and education outcomes, almost everything is still unknown.”
- Be very wary of the development used car salesman who wants to sell you the newest education input



One Laptop Per Child: An MIT initiative to engineer a low cost laptop that could withstand conditions in classrooms in developing world (charge with solar, create local networks) Peru bought a large number of them, but they have been mostly unsuccessful at promoting basic education Evidence: They break, children mostly play games on them.