responsAbility

Discussion Paper
Child Labor

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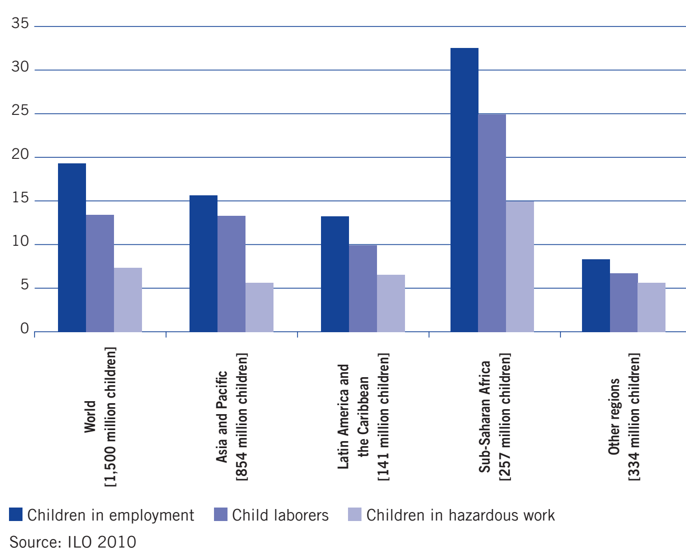
How and How Not to Deal with Child Labor

Child labor is often characterized as pernicious and evil, something that has to be unequivocally rejected.[1] Accordingly, it should be "banned". But child labor as such is not harmful. Rather, it is an important economic factor in the least developed countries (LDCs). Only when negatively affecting children's development does child labor become a serious concern. Around 60% of all exploitative child labor takes place in agriculture, the (labor) dominant sector in LDCs. Children in rural regions of LDCs are often the only available "means" for producing agricultural goods and sustaining a livelihood. There are at least three reasons why agricultural production based on fair trade schemes can better tackle the problem of exploitative child labor. Firstly, control mechanisms are much more elaborated. Secondly, the shorter supply chain allows traceability, an important precondition for an efficient control system. Thirdly, a guaranteed minimum price prevents absolute poverty – a major cause of child labor – while the fair trade premium can be used to overcome long-term structural barriers, thus addressing the root causes of exploitative child labor.

Child labor is a phenomenon as old as mankind. Before the unseen economic development in the West and a few other spots in the world took place, child labor had been prevalent universally, regardless of culture.[2] It is strongly (negatively) correlated with economic development. Only in post-industrial states – and in all of them – has child labor vanished or been marginalized. Within societies, any society, working children are negatively associated with income.

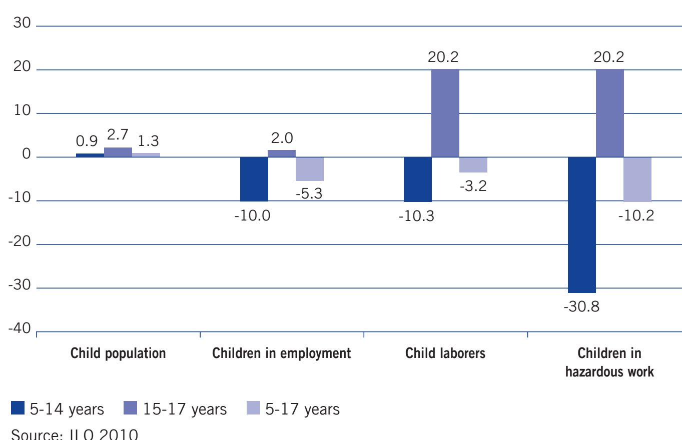
Figure 1: Regional estimates of child labor, 2008 (age group: 5–17 years; percentage of all children)



Source: ILO 2010

There is no "one size fits all" definition of child labor. The International Labour Organization (ILO) 2010 distinguishes "children in employment", "child laborers", and "children in hazardous work". Child labor should specifically be banned when negatively affecting the children's health and development. This is called "exploitative" child labor. The worst forms of child labor are forced and bonded labor, for example child soldiers, prostitution[3], and other illicit activities. Exploitive work implying "excessive physical, social and/or psychological strains" is completely different from working alongside one's parents on a rural farm.[4] The policy goal cannot realistically be formulated as a broad abolition of child labor. Instead, a shift in labor supply from lower to higher ILO categories should be sought.

Figure 2: Percentage change in child population and working children between 2004 and 2008



Source: ILO 2010

There is a danger that incautious intervention from outside, however well intended, may have a contrarian effect, deteriorating a child's situation by forcing them into clandestine work. Around 215 million children worldwide – 70% of all employed children – are involved in "exploitative child labor" as defined by the ILO.[5] As Figure 2 shows, exploitative child labor has declined modestly (–3.2%) between 2004 and 2008, while hazardous and the worst forms of exploitative child labor (child soldiers, prostitution) declined around 10%. Figure 2 shows a clear pattern: the more harmful the work and the more vulnerable the children involved, the faster the decline. Nevertheless, 115 million children are still exposed to hazardous work.

[1] Basu and Van (1998), p. 414: "This popular instinct stems from the presupposition that the existence of child labour is the product of greed (...)"

[2] Basu and Van (1998), p. 414, state that child labor participation rates in Britain during the industrial revolution were higher than the contem-porary rates in all regions of the world, except Central Africa. Same account in Basu (1999), p. 1088

[3] According to Basu and Van (1998), p. 414, child prostitution is the only frequent form of child labor in industrialized nations.

[4] Basu (1999), p. 1089, and Grootaert and Kanbur (1995), p. 188

[5] ILO (2010), referring to children in category "child laborers", which includes "children in hazardous work"

Child labor in agriculture and fair trade

In agriculture, children are exposed to exploitative child labor. Around 129 million girls and boys worldwide (2008), 60% of all child laborers between the ages of 5 and 17, work in agriculture (Figure 4). About 70% of them are unpaid family members, very often of small farmers.[6] Moreover, agriculture is prone to work-related fatalities, non-fatal accidents, and occupational diseases. About 59% (or 70 million) of all children between the ages of 5 and 17 involved in hazardous work are children working in agriculture.

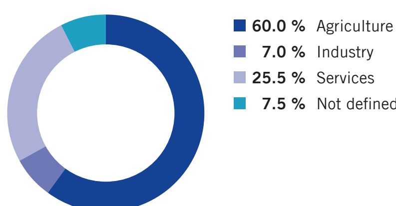
There is no direct connection between a specific agricultural good and child labor. The overall context in which the agricultural system operates defines the potential for exploitative child labor. Poverty and lack of capital are among the main causes of child labor in rural areas of LDCs. In many countries, child labor is part of the culture and firmly anchored in traditional attitudes. It is difficult to distinguish between harmful and non-harmful child labor in agriculture: not every child that works is exploited, especially when the child's health and schooling are not threatened. In the context of small farmers, some non-hazardous agricultural work can be positive and important for the intergenerational skills transfer. Children can improve their self-confidence, selfesteem, work skills, and commitment to the local community when engaged in farm work.

Figure 3: Minimum age for admission to employment and work

	The minimum age at which children can start to work	Possible exceptions for developing countries
Hazardous Work Any work that is likely to jeopardize someone's physical, mental, or moral health, or their safety or morals should not be carried out by anyone under the age of 18.	18 (16 under strict conditions)	18 (16 under strict conditions)
Basic Minimum Age The minimum age for work should not be below the age children have reached when having finished compulsory schooling, which is generally 15.	15	14
Light Work Children between the ages of 13 and 15 may do light work, as long as it does not threaten their health and safety or hinder their education or vocational orientation and training.	13-15	12-14

Source: ILO Convention 138

Figure 4: Child labor, distributed by economic activity (age group: 5–17 years)



60.0 % Agriculture
7.0 % Industry
25.5 % Services
7.5 % Not defined

Source: ILO 2010

Through fair trade schemes, the worst forms of child labor can be tackled. Although the fair trade movement is heterogeneous and consists of a number of labels, prevention of exploitative child labor is a substantial part of the control schemes almost everywhere. Fairtrade International (FLO), which represents around 90% of fair trade agricultural products, follows the ILO recommendations on child labor. Fair trade has three advantages regarding the tackling of child labor compared with mainstream agricultural systems:

Firstly, control mechanisms are more elaborated and robust in fair trade schemes. FLO, for example, tries to avoid harmful child labor activities with an array of actions and accompanying measures: training programs, information campaigns, partnerships with expert organizations, and independent certification controls.[7] These measures are regularly monitored and evaluated by FLO.

Secondly, the fair trade scheme implies fewer middlemen in the supply chain and enables traceability, which is a prerequisite for an efficient control system. Some (mainstream) agriculture supply chains, for example cocoa production in West Africa, are hard to monitor due to the many middlemen between food processors and farmers.

Thirdly, fair trade has an important positive impact in addressing the problem of child labor. By ensuring a minimal purchase price and therefore guaranteed fair income for the local farmers in LDCs, fair trade is addressing two of the causes of exploitative child labor: poverty and lack of regular income. Furthermore, the fair trade premium, which is invested in community projects, or the improvement of production methods, is a powerful remedy for exploitative child labor in these regions.

[6] According to the data and definition of ILO (2010)
[7] Position paper on child labor of FLO (2009)

Why is child labor prevalent in LDCs?
There are different reasons – biological and economic ones – why parents choose to have children.[8] The economic benefit of children is only relevant in countries with insufficient social security systems. Parents need their children's earnings in order to survive at an advanced age, when their own earning capabilities are lower. As opposed to children in rich countries, children in LDCs are at least partly considered an investment. As in any investment, the cost is incurred before the benefit is yielded. Parents thus face the problem of intertemporality.[9] Yet, early participation in the labor market may have beneficial effects, too. Children learn skills they would not learn at school.[10] As Agiobu-Kemmer (1992) points out: "Education broadens your mind but it does not teach you how to survive."[11] Parttime work can even be complementary to schooling as it allows children to earn their school fees (e.g. for textbooks).[12]

Children thus engage in child labor because their economic constraints oblige them to. At the same time, young individuals may deliberately increase the quantity of labor supplied beyond the subsistence level in order to improve their economic situation. They may also choose more hazardous activities to gain an according risk premium.[13] Nevertheless, the term "voluntary" loses edge here, because the child labor market does not always operate on the basis of voluntary exchange without involving Zcoercion and psychological pressures.[14] This emphasizes the fact that child labor is strongly related to poverty, and the subsequent lack of alternatives in LDCs.

Determinants and models of child labor
Child labor was hardly formally modeled prior to the 1990s. It seems that science is lagging behind politics as many political initiatives have been taken without drawing on a theoretical rationale.[15] Yet, various models have been proposed lately, mainly detecting determinants in the following areas: intra-household bargaining behavior, risk and risk behavior, the structure of the labor market, and changes in the technology employed.

The common feature of these models, being economic in nature, is that parents and employers are not seen as greedy or sadistic when they send children to work, but that they rationally maximize household income. To do so, child labor is required. Perhaps surprisingly, labor seems to be notoriously scarce in poor rural areas. The reason is that due to the extreme scarcity not only of capital but also of environmental resources, a great deal of labor is required even for simple tasks.[16] Tasks such as collecting wood are crucial for the survival of the household as a whole, even if they by themselves do not generate marketable goods. Therefore, children are employed as soon as they have basic capabilities. They are the ideal asset and only tool (in the sense that they can act at least partly as a substitute for physical capital) poor adults can employ in production. The older the children get, the more involved in the production process they become, and the better they can sustain themselves. "Indeed, children can add so much to the household income that in some places they are costless to rear by the time they reach adolescence".[17]

The models proposed all reflect this behavior correctly. But to establish the determinants of child labor, it is necessary to open the black box and consider the intra-household bargaining power. The relevant factors are the wage of the parents, the wage of the children, the education level of the parents, and the degree of gender discrimination. The latter has a systematic effect on any of the former variables. For instance, the probability that a girl can attend school depends crucially on her mother's education level, much more than on her father's. [18]

Risk consists in relation to the interruption of the household income stream. To avoid an interruption of subsistence income, household members must take self-insurance measures (child labor) that are highly inefficient in the long term. Evidence from India shows that income volatility has a negative impact on school attendance.[19] The cause of this behavior is the absence of basic financial markets (micro credit and insurance) that allow the insurance of everyday risks.

Regarding the labor market and the role of technology, the question is how well the child is remunerated in relation to the conditions at work. Child labor can be beneficial if cash income strengthens a child's bargaining position in the household and if it does not significantly undermine the development of the young person in terms of health and human capital.

[8] Dasgupta (1995), p. 1893 f, describes children as an economic asset in great detail.

[9] Jafarey and Lahiri (2002), p. 139

[10] For a discussion of learning achievement at both school and work followed by empirical evidence from Ghana, see Heady (2000)

[11] Agiobu-Kemmer (1992), p. 7, as cited in Grootaert and Kanbur (1995), p. 193, see also: Dessy and Pallage (2005), p. 68

[12] Basu (1999), p. 1093

[13] Dessy and Pallage (2005), p. 70, calculate that prostitution in the Philippines, one of the worst forms of child labor, yields "three times the per capita gross domestic product."

[14] Basu and Van (1998), p. 415

[15] Dessy and Pallage (2005), p. 69: "Policy is yet again ahead of re-search."

[16] Dasgupta (1995), p. 1895

[17] Dasgupta (1995), p. 1895

[18] Grootaert and Kanbur (1995), p. 192

[19] Grootaert and Kanbur (1995), p. 194

This would be the case in a formal economy appreciating human capital. Unfortunately, unfavorable conditions of monopsonistic labor demand with high degrees of dependency are prevalent in LDCs. Moreover, while little child labor is employed in the formal economy, there seems to be a trend toward informalization of production methods, with formal enterprises subcontracting to opaque manufacturing in order to avoid social legislation.[20] The demand for human capital intensive labor is important because it contributes to the rationale for schooling. An industry that employs more sophisticated technology and therefore demands human capital is the single most powerful advocate for children attending school.

Changes in technology can have a large impact on the demand for child labor. A classic example is the green revolution in India that helped school attendance soar.[21] "Nimble fingers" can be replaced by rudimentary tools or simple machinery. Electricity and the local availability of water may save the bulk of child labor hours. A wheelbarrow to transport bricks can save many children's backs.

Possible interventions

Before setting out the instruments, it is first worth asking what imperative (if any) calls for an intervention, and if an intervention can be expected to be persistent. A case for intervention does arise from a moral and an economic point of view.

It seems reasonable that the case for intervention rests on a moral ground such as human rights. Considering the opportunity cost of an intervention, namely the interruption of the income stream generated by child labor, one may wonder what set of human rights can be treated as a core of absolute and inalienable rights. Inevitably, one comes to a point where basic rights must be weighed against their impact on personal and collective welfare by inclusion of opportunity costs. The question is to what extent a situation with a policy targeting child labor is preferable to the status quo. A situation is always preferable if its Pareto dominates the status quo, and for it to be Pareto optimal, there must be a possibility for winners to compensate losers. For instance, agents who gain from the fact that children attend school instead of going to work, for example human capital intensive firms, should be able to compensate firms relying on "nimble fingers."[22] As a conclusion, the designer of the intervention policy should aim to improve the overall welfare of the child bearing in mind the need to compensate losers.

Turning to the persistence of an intervention, it is interesting to notice that child labor has a property that can magnify the effect of an intervention quite independently of the instrument applied. For instance, many determinants discussed above may themselves be endogenous, namely, the decision to send a child to work acting as a social norm. The more children work the less the stigma of sending children to work.[23] Such social norms can have a powerful impact, particularly in small rural communities, with the implication that a one-time change in income may have a long-lasting effect on intra-household behavior. Once children are withdrawn from the labor market and put into school, parents face a significant stigma cost if they think they cannot afford schooling any longer. In this view, not sending children to work is initially a luxury good that becomes less and less dispensable the more people own it.

Generally, the result of the models is that they lead to multiple balances depending on the constellation of the determinants. To the extent that these determinants can be influenced by policies, this provides a powerful case for exogenous government intervention. The potential impact of an intervention is expected to be persistent thanks to the character of the good "not sending children to school" as described above.

Instruments against child labor

The best known and seemingly most popular instruments in the intervention against child labor in contemporary world politics are ones that tackle the occurrence, not the underlying causes. They include unilateral bans and international legislation, both of which are vulnerable to being hijacked by other vested interests. The Child Labor Deterrence Act, also known as the Harkin's bill, was overtly protectionist when it was first proposed in the US.[24] The same spirit of protectionism seems to inspire the zeal of developed nations to impose international labor standards in multilateral institutions, particularly the World Trade Organization (WTO).

Child labor is often depicted as an unhealthy effect of free trade.[25] International labor standards are then proposed to regulate trade and thereby mitigate child labor. Besides the fact that such measures again play into the hands of vested interest, the hypothesis that working children are a victim of open trade policies has been falsified in the "relatively abundant"[26] theoretical literature as well as by cross country evidence.[27]

[20] Grootaert and Kanbur (1995), p. 195

[21] Grootaert and Kanbur (1995), p. 196

[22] Baland and Robinson (2000), p. 678

[23] Basu (1999), p. 1103

[24] Basu (1999), p. 1092

[25] Edmonds and Pavcnik (2006), p. 116

[26] Edmonds and Pavcnik (2006), p. 118

[27] Edmonds and Pavcnik (2006),

A dubious rationale for these popular instruments would not matter to working children if the policies did not also negatively affect their welfare. Unfortunately, that seems to be the case. There is no evidence on how a ban or another formal regulation may tackle any of the determinants of child labor as discussed above. So far, there is also no evidence that a ban would raise parents' wages sufficiently to care for their children. Furthermore, it is doubtful that such a top-down measure can be enforced. If the ban cannot be enforced sufficiently, it may generate rents that constitute an additional burden for the children. Overall, bans such as the Child Labor Deterrence Act will leave the child laborers with less protection, "since legally they do not exist."[28]

In contrast, instruments that tackle the determinants of child labor are to be preferred. Compulsory education is easier to monitor and far more effective if based on a community-monitored school enrolment scheme that, at least initially, allows the combination of school attendance and part-time work.[29] As far as the situation at work is concerned, the priority should be on basic and economical improvements such as "adequate lighting or safety equipment"[30] and on limiting working hours to a sustainable level.

A second category of sensible instruments are the ones that deal with household income and a shift in intra-household bargaining power. This implies that development focused on higher incomes is necessary, but not sufficient.[31] A few examples in existence such as the Food for Education program in Bangladesh and the (modified) Fome Zero program in Brazil follow this trend.

Generally, the inverse of the mother's wage is a good proxy for the level of child labor in a community. Therefore, female education and female employment opportunities are the key to crack the vicious circle of high fertility, illiteracy, and miserable living conditions. Parents must be compensated for lost gains if children do not work. The provision of basic infrastructural goods such as fuel and water raises general welfare and reduces the need for extra hands.[32] To address the aforementioned inter-temporality problem, the availability of micro credits is crucial. Jafarey and Lahiri (2002) discuss different combinations of credit markets quality, child labor levels, and policies to reduce the latter and conclude that "properly functional credits markets are also important for the effectiveness of other policies to reduce child labour."[33] Dehejia and Gatti (2002) give strong empirical cross-country evidence and rate credit supply the most powerful of instruments: "Compared to legal restrictions and direct bans, [access to credit markets] can decrease child labour without lowering household welfare (...)."[34] Nevertheless, it is clear that there will only be a demand for credit if there are business opportunities, requiring broad overall development.

Conclusion

The existence of child labor is not related to culture but to income and its distribution. Parents have many children because they secure the survival of the household. They send them to work because they lack the means to sustain them. Children work because there are no better options to fill a hungry stomach. Child labor is the only market they have access to. Children in LDCs need more access to markets and not less. A ban of child labor does not improve children's situations, but makes them worse. Any effort undertaken must not be wasted on window dressing by banishing the image of "that carpet weaving girl." Instead it should target the well-established determinants of child labor, giving center stage to microcredit supply, investment in smallholder agriculture, education, and mother-child support programs.

[28] Grootaert and Kanbur (1995), p. 200

[29] Grootaert and Kanbur (1995), p. 200

[30] Grootaert and Kanbur (1995), p. 200

[31] Swinnerton and Rogers (1999), p. 1385, point out that, on a macro level, income inequality may be the reason why child labor persists in some middle income countries.

[32] Dasgupta (1995), p. 1899

[33] Jafarey and Lahiri (2002), p. 154

[34] Dehejia and Gatti (2002), p. 21

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