

# Chapter 3

## Notes on Child Labor and Education: A Personal Statement

**Kaushik Basu**

**Abstract** It is a matter of concern that in today's prosperous world, there are 168 million children who work as laborers, deprived of not just the joys of childhood but also of the education that is essential for decent life as an adult. As the world advances in terms of information technology and in other ways, literacy becomes more important than ever before. Child labor and the deprivation of education persisted for so long partly because of the naïve belief that markets, left free, would correct these ills. In reality, we need well-crafted interventions. But, this essay argues, the argument is more complex than appears at first sight. A blunt, legalistic intervention, as often proposed, can curtail child labor but only by exacerbating child poverty. The problem has to be tackled through a cocktail of interventions that involve government, civil society and the private sector. Unless this urgent problem of our times is attended to, we are likely to see rising inequality, deprivation and conflict.

It is an honor to speak at the Pontifical Academy of Sciences. The last time I was invited to be here for a conference, the date conflicted with preparations for the Indian Union Budget. I was then the Chief Economic Advisor to the Indian Government. Though I was tempted to come to the Pontifical Academy, I felt it would have been too blatant a dereliction of duty on my part and so I, reluctantly, declined.

Growing up in Kolkata (formerly Calcutta), where one of my four sisters worked closely with Mother Teresa, I witnessed what pure, instinctive compassion could achieve, and heard many stories from her of Mother Teresa's kindness, tolerance and innate propensity to reach out to anybody who needed help, regardless of race,

---

K. Basu (✉)  
Cornell University, Ithaca, New York, USA  
e-mail: kb40@cornell.edu

K. Basu  
The World Bank, Washington, DC, USA

gender and religion. Today, being at the Vatican, connects me to those memories. Thank you very much for the invitation and for giving me an opportunity to return to a field of research which was once a near full-time occupation of mine.

Child labor and lack of education are an embarrassment for our modern world of so much prosperity and growth. The art of writing and reading was invented in 3200 B.C. in Mesopotamia. That 5200 years after inventing this art, we still have 15 % of the adult population of the world unable to read or write must be some kind of record in slow achievement. This is however no surprise given that 168 million children (between the ages of 5 and 17 years) work as laborers (that is 10.6 % of all children of that age group) and so get little education, as well as no time to absorb the education they do get.

It is true that we have come a long way since immediately after World War II, when effort was made to compile statistics in developing economies and it was found that 48 % of children in China and 35 % in India (of the age group 5–15) were laborers; and also a long way from 1860 when 37 % of children in the United Kingdom worked as laborers.

Nevertheless, 168 million children working and being denied proper education is unconscionable in today's world. I am glad that the Pontifical Academy of Sciences is taking an interest in this important field because this is one area of economic policy which requires scientific inquiry and analysis as well as passion and moral commitment, and the Vatican has the convening power for this.

Child labor persisted partly because those who were better off did not care and partly because a lot of early economics was under the sway of free market fundamentalism, a philosophy that suggested (conveniently, for those who have done well by the status quo) that whatever the market delivered, with no state intervention and civil society meddling, was good and was to be welcomed. Luckily this is changing and it is time to act.

It was in 1994 that I got drawn into this subject, without quite intending to. I had moved that year from India to the United States, as professor at Cornell University. At that time, the US Congress was considering what was known as the Harkin's Bill, to stop any product that had used child labor as a factor of production from entering the United States. The intentions were clearly good. The argument was premised on two assumptions, to wit, that child labor was a product of (1) the greed of firms and employers trying to earn extra profits and (2) the sloth and cruelty of parents not hesitating to send their children to work.

Having lived in India and witnessed child labor, and knowing some of the parents who sent their children to work, I felt strongly that, of these presumptions, (1) was right but (2) was wrong. While there may be a few parents who, out of their own laziness, send their children to work, when child labor is a mass phenomenon such as it is in large parts of Sub Saharan Africa, South Asia, and even sections of South East Asia and Latin America, it has nothing to do with parental sloth. Parents typically love their children and send them out to work only when poverty and hunger leave them with no other option. If this is correct, then a sudden ban on child labor, if effectively enforced, would indeed put an end to child labor but, likely do so by exacerbating child poverty and starvation. So while child labor is a

dreadful practice and ought to be brought to an end as quickly as possible, we have to think of a combination of policies that support poor households as they are weaned away from child labor. A sudden legislative ban, on its own, is not the axiomatic right step some take it to be.

I felt this was an important enough argument to bring to the attention of campaigners so single-minded about child labor that they were unmindful of the risk of child starvation and hunger and I published an article in the *New York Times* on 5th of December, 1994, stating my reasons for not supporting the Harkin's bill. I had no doubt that it was a well-meaning bill; but its argument did not stand up to scrutiny. Minimally, it had to be combined with many other complementary policy interventions.

My article caused a furor, including a letter to the editor by Senator Harkin. I received a huge amount of letters, some very thoughtful ones, like a memorable one from the eminent economist Albert Hirschman, but also several angry letters. I had no choice. I decided that now that I had written on child labor, it was time to begin to read about it and educate myself. This is what drew me into the subject of child labor and education.

The subsequent research that I did with my student Pham Hoang Van (Basu and Van 1998) showed that there are some situations where a pure legislative ban on child labor is the right way to go to curtail child labor, increase education and enhance child welfare. But the argument was not as straightforward as some may have thought. The conclusion was reached by using some very natural assumptions and then building on them using economic theory. The research showed that some societies are characterized by multiple equilibria, in particular, one stable equilibrium with low wages, and lots of children laboring; and another stable equilibrium where wages are high, and children do not work.

The intuition (spelled out in Basu 2003) is easy. Consider a society and focus on its unskilled labor market. Suppose, to start with, adult wages are very low, and to stave off extreme poverty, parents are forced to send out their children to work. And the employers are happy to use this abundant supply of cheap labor. In this society, if a law is enacted that stops children from working, it seems reasonable to conclude that this withdrawal of children from the labor market will cause a shortage of labor and drive up adult wages. If these are pushed up sufficiently high (which can happen depending on the elasticities of labor demand), it is possible that at this new high wage parents anyway prefer not to send their children out to work. In other words, the law banning child labor can deflect society from a bad equilibrium with children working to a good equilibrium where adult wages are higher and children are anyway not sent out to work. In brief, the labor market in developing countries may be characterized by multiple equilibria.

This work gave rise to a lot of empirical analysis, and the assumptions of the model, in particular, the so-called 'luxury axiom', namely that parents do not send their children to work once they have higher income from non-child labor sources, found wide corroboration. The literature on this is large; to cite one particularly convincing study, I may point to Edmonds and Schady (2012). For a general survey with focus on policy action, see Basu and Tzannatos (2003).

However, there were also situations, especially in very poor countries, where a ban may not deflect the economy to another and a better equilibrium. In such situations the problem called for a concerted use of several complementary policies, ranging from enhancing adult wages, to providing better schooling facilities for poor children. There is a very large literature now on this subject.

There is also a substantial literature, more specifically, on child labor and education. Some of this is part of the “Understanding Children’s Work” Program, such as Biggeri et al. (2003). There are studies that look at the links between child work and education—to cite a few from a large literature, see (Ray 2000), (Cigno and Rosati 2005) and (Edmunds et al. 2009). This research provides *prima facie* evidence that child labor negatively impacts education and so can hurt the children not just in the short run but through life.

The relation between child labor and education is, however, complex. It has been found, for instance, that there is a non-negligible number of children neither in school nor working as child laborers (Biggeri et al. 2003). A part of the explanation lies in the fact that there are other kinds of work beyond paid child labor. Many children for instance do unpaid household chores which take a toll on schooling but do not have them classified as laborers.

There are important questions about the causal connections between child labor and education that had for long remained unanswered. Is it the weaker student who stays away from school and joins the labor force, thereby explaining why those who are less educated are laborers, or does child labor damage learning? A recent paper by Emerson et al. (2014) tries to nail down the causal relation by doing an experiment pertaining to Prova Sao Paulo, in Brazil. They designed a test and a survey and then, using the method of difference-in-difference and instrumental variables estimators, discover that to work and to go to school amounts to a loss of 11 points in mathematics and 12 points in Portuguese, which is equivalent to missing a quarter year of school. Further, they found that this had lingering effect with diminished cognitive ability and negative impact on education in future years.

To take on the challenge of children’s education and child labor, we have to act on many different fronts, including our own mindsets. We don’t have to go very far back in history to see how dramatically our mindsets have changed. In 1741, when John Wyatt invented a new spinning machine and wanted to persuade the Attorney General in England to give him a patent on the machine, the argument he used would appear strange today. He advertised how if a clothier had hundred adults working as spinners, he could, now, with this new machine, dismiss 30 of them and replace them with “ten infirm people or children.” The Attorney General was so impressed by the machine that in granting the patent he pointed out that children as young as 5 or 6 years old could operate this machine.

In the writings of that time, there were repeated mention by wealthy English mill owners that long hours of work by children (needless to add, other people’s) built character and strength. The change that occurred subsequently required new labor regulation laws, such as the various Factories Acts, starting with Robert Peel’s Act in 1802, but these were in turn predicated by sustained activism by progressive groups and parliamentarians.

What was revealed by the Parliamentary Committee investigating child labor in the first half of the nineteenth century was heart-rending. Here is an excerpt of the Committee interviewing a child laborer in June 1832.

Q. "... How long did you work?"

A. "We began at 4 o'clock in the morning and worked till 10 or 11 at night; as long as we could stand upon our feet."

Q. "You hardly could keep up for that length of time?"

A. "No, we often fell asleep."

The big problem in the early 19th century was a shift of mindset, an understanding we must not be victims of free market fundamentalism, the orthodoxy that emerged, erroneously, from Adam Smith's theory of the invisible hand. Fortunately, there are few (but be warned, not zero) adherents now of this extreme view. It is now accepted that when the market gives rise to great inequalities or injustices, such as children been deprived of education and been forced to work, the state has a responsibility to intervene. It is what creates a special role for the state and civil society to introduce appropriate regulation and to influence our thinking.

The problem is vastly diminished compared to the early years of the Industrial Revolution. But we live in a much more prosperous world today. Further, with the arrival of the Internet and the digital revolution, to be illiterate is a greater handicap than ever before. To that extent, the prevalence of child labor and the deprivation of education is unconscionable. The Pontifical Academy of Sciences' interest in this topic, which is so critical to child welfare, is most welcome. We should continue to collect data and do research but it is also imperative to turn to policy and action.

## References

- Basu, K. (2003). The economics of child labor. *Scientific American*, 289(4), 84–91.
- Basu, K., & Tzannatos, Z. (2003). The global child labor problem: What do we know and what can we do? *World Bank Economic Review*, 17(2), 147–173.
- Basu, K., & Van, P. H. (1998). The economics of child labor. *American Economic Review*, 88(3), 412–427.
- Biggeri, M., Rosati, F., Lyon, S., & Guarcello, L. (2003). *The puzzle of "idle" children: Neither in school, nor performing economic activity*. Understanding Children's Work. Working Paper, Rome.
- Cigno, A., & Rosati, F. (2005). *The economics of child labor*. New York: Oxford University Press.
- Edmunds, E., Pavcnik, N., & Topalova, P. (2009). Child labor and schooling in a globalizing world. *Journal of the European Economic Association: Papers and Proceedings*, 7(2-3), 498–507.
- Edmonds, E., & Schady, N. (2012). Poverty alleviation and child labor. *American Economic Journal: Economic Policy*, 4(4), 100–124.
- Emerson, P., Ponczek, V., Souza, A. (2014). *Child labor and learning*. World Bank Policy Research Working Paper 6904, Washington DC.
- Ray, R. (2000). Child labor, child schooling and their interactions with adult labor: Empirical evidence for Peru and Pakistan. *World Bank Economic Review*, 14(2), 347–367.