

## Sickness or symptom?

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### **Child labour is reviled. There is much debate as to how it can be reduced**

OF ALL the alleged sins of globalisation, child labour has been among the most scorned. Few people in rich countries (though not all, see [article](#)) like to think that their cheap clothes, toys and handbags have been made by workers who ought to be in schools or playgrounds. This dismay is usually genuine, but it has also been exploited by anti-globalisation activists to popularise their cause. Anti-globalisers have been joined recently by some of America's Democratic presidential candidates, who have cited child labour as a reason why America should reconsider its free-trade agreements with poor countries. The idea that these countries might be exploiting children is more disturbing than the highly debatable claim that poor labour standards for adults in the third world are unfair. Moral indignation has been used to advocate wrong-headed economic policies.

One of the more credible critics of child labour, and the leader in the fight to enforce bans on the practice, has been the International Labour Organisation (ILO), a United Nations agency. Until recently, its argument has also rested mostly on moral grounds. Although it seems wrong for children to toil for others' economic gain, one in six of the world's children between the ages of 5 and 17 work—and the proportion is higher in the poorer parts of Asia and Africa. In a new report<sup>\*</sup>, the ILO has bolstered its moral case with an economic one, arguing that child labour is economically unjustified as well.

On the ILO's analysis, the cost of ending child labour, by creating enough school places and replacing the lost income that children provide to their families, would be around \$760 billion over the next 20 years, only about 7% of America's annual GDP. But the benefits, says the ILO, might be as much as seven times as large, when the gains of increased human capital, better health and fewer lives lost due to work accidents are considered. The agency seems to have felt the need to buttress its moral case with this economic analysis because most mainstream economists have long argued (as does this newspaper) that using child labour is the best of a set of very bad choices.

Child labour, of course, is as old as human history. Until relatively recently, parents viewed children as economically useful and, especially in farm-based economies, had them milking cows or sowing seeds as soon as they were old enough to do so. Most people in rich countries, probably feel less troubled about children working on farms than in factories. Child labour was mostly outlawed in now-rich countries more than a century ago.

Should rich countries attempt to enforce a ban in poorer countries as well? On the face of it, no. The fact that parents choose to send their children to work suggests, at the very least, that the alternatives are even less attractive—not a pleasant suburban school, but the grinding toil of subsistence farming, joining a militia or prostitution. In economic terms, child labour is merely the symptom of that greater disease called poverty.

Experience in rich countries seems to back that up. Child labour was more common everywhere in the 19th century when today's rich countries were poorer. Political pressures to end it only became reality, economists argue, when families could afford to forgo the income provided by their working children.

## Cause or effect?

In recent years, a few economists, like the ILO, have questioned this argument. Perhaps, they suggest, some countries keep themselves poor by allowing child labour. On this view, poverty is not the cause but the result of child labour. There are two ways in which it might be. First, starting work at the age of 12 means that children miss out on education and the skills that might have landed them better jobs in the future. Thus, allowing child labour prevents countries from investing in what economists call human capital, keeping their workers mired in low-skilled jobs. Second, employing children can depress wages for adults. On this view (which was also once used to keep women out of the workforce), the more children that work, the fewer and worse-paid are the jobs for adults.

Until recently, much of this debate was theoretical. But a new paper\*\* from Eric Edmonds, a professor at Dartmouth College in America, seems to rebut these claims—and to support the conventional wisdom that poverty, not child labour, is the real problem. Mr Edmonds scrutinises data between 1993 and 1997 for over 3,000 families in Vietnam, a country that has traditionally put more children to work than most. Over this period, Vietnam's GDP per head grew at an average rate of 6.5% a year, thanks to a series of reforms introduced after the end of the cold war. Strikingly, the number of children in the workforce fell by 28%. By looking at the behaviour of individual households, Mr Edmonds estimates that families' rising wealth was responsible for four-fifths of this fall.

Perhaps the ILO is right that ending child labour would cost \$760 billion, but that as children are better educated they would eventually improve the lot of everyone in the economy—though where the money would come from, and how to ensure that it would be well spent, is unclear. Arguably, however, the ILO and others rightly concerned about child labour are looking at the wrong target. It will start to disappear, and faster, if poor countries pursue general policies that help them to grow more quickly, such as cutting tariffs and opening up more to foreign investment. Rather than forever sermonising, rich countries could do more to help eradicate child labour by themselves dropping trade barriers to imports from poor countries.

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[Investing in Every Child: An economic study of the costs and benefits of eliminating child labour](#)". International Labour Organisation, December 2003

\*\*"Does Child Labour Decline with Improving Economic Status?" Working Paper No 10134, December 2003. <http://www.nber.org/papers/w10134>