

Economic prosperity can't break chains of child labour

September 17 2015, by Rob Kidd

Unequal access to education ensures hundreds of millions of children remain trapped in child labour despite dramatic falls in worldwide poverty levels, according to QUT research.

Dr Jayanta Sarkar and Dr Dipanwita Sarkar, from QUT Business School, developed an innovative overlapping generations economic model to explain how child labour stubbornly persists despite falling poverty in developing countries.

The research, published in the *Economic Inquiry* journal, found that [income inequality](#) may matter more than poverty in explaining why child labour continues.

Figures from the World Bank show the number of people living on less than USD\$1.25 (A\$1.69) per day decreased dramatically from half the citizens in the developing world in 1981 to 21 per cent in 2010, despite a 59 per cent increase in the developing world population.

However UNICEF estimates 246 million children are still engaged in child labour.

Dr Jayanta Sarkar said the "fixed private cost" of schooling meant the poor had less access to education relative to the rich, a key driver in child labour among the poor.

"Typically schooling, even in a 'free' education system, imposes a large

burden on the poor through the fixed costs of things like transportation to and from school and books and other materials," he said.

"The analysis shows that families below a level of relative [income](#) choose zero schooling and full time labour for their children because they simply can't afford either the fixed schooling costs, or to miss out on the small income their children generate for the household.

"Instead of schooling, they invest in child health to ensure children possess physical capability to perform unskilled work.

"There is a clear link between income inequality and intensity of child labour. But, more income does not always reduce child labour. In fact, as wages rise child labour rises in families who find schooling too expensive.

"Only after income reaches a certain 'threshold' level, does schooling become affordable and child labour start to fall. The 'threshold' rises with the degree of income inequality.

"Health is an indispensable component of human capital that is particularly important in low-income societies because it is the primary income-generating asset for a large proportion of population engaged in labour-intensive activities.

"Health is accumulated by private investments in things like nutritious food, clean water and basic hygiene products."

Dr Sarkar said simply banning child labour would actually end up hurting the poor as child income would dry up and as a result private investment in health would fall. He said a child labour ban had to be accompanied by an increase in access to education.

"In post Industrial Revolution Britain, child labour was successfully eliminated via mass access to education combined with strict anti-child labour legislation which, importantly, was rigorously enforced," he said.

"The research finds a key connection between inequality of opportunity and children's human capital outcome, which means that even as incomes increase, child labour will remain without significant changes.

"Two policies that could help eliminate [child](#) labour are targeted attempts to reduce schooling costs for the poor, and raising the efficacy of public health infrastructure."

The researchers compared levels of [child labour](#) and schooling across wealth groups in India, Peru and Ethiopia.

They found the richest groups in each country were healthier, and more skilled, than the average individual, and that this difference increased with income inequality.

The full research paper is available.

More information: "Why does child labor persist with declining poverty?" *Economic Inquiry*. doi: 10.1111/ecin.12234

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