

# Child Labor, Trade and Development

1. Globalization Doom on Child Labor
2. Once Again: Consequences of Globalization
3. Empirical Evidence

## **The Usual Globalization Doom Theory**

### **The Global Economy Promotes Child Labor**

by David Bacon

“The face of the global economy is increasingly the face of a child. It's not a child at play, or studying in school. It is the face of a child at work.

In recent months, two international conferences have pulled away some of the veils hiding this face. One, ironically, was the gathering of bankers and industrialists in Davos, Switzerland in January, a group described by New York Times correspondent Thomas Friedman as "the ultimate capitalist convention." The other meeting brought together labor organizers, human rights activists and advocates for children in Mexico City - the Second International Independent Tribunal Against Child Labor.

When two organizations, with such diametrically opposed visions of the world, see the same danger, its reality is hardly debatable.”

Whow, what a wonderful logic (comment, TP)

<http://dbacon.igc.org/PJust/14ChildLabor.htm>  
two typos corrected, TP

## **Almost a theory...**

"Once a business has been privatized," she explained, it goes through a phase of getting rid of the people who work there. Then these same businesses rehire workers, but at the minimum monthly wage of 132 soles, with no pensions, benefits, unions or rights. Parents can't possibly support a family on this wage, so they have to tell their children to go to work."

(Same Source)

...but one with large elements of a conspiracy theory.

## **Consequences of Globalization or: Why Globalization Doomsters are wrong, once more**

International Trade in theory may cause some positive pressure on child labor, as some countries seek a competitive advantage in the production of labor-intense goods at very low costs.

But: Trade openness also leads to economic growth and higher income in general leads to lower child labor.

The usual suspects:

China, India, Peru, Mexico, ...

What is Child Labor?

Germany: on one below 16 is allowed to work, there are exceptions for some individuals aged 15.

BUT: In my youth some children still worked as seasonal harvest helpers during school holidays.

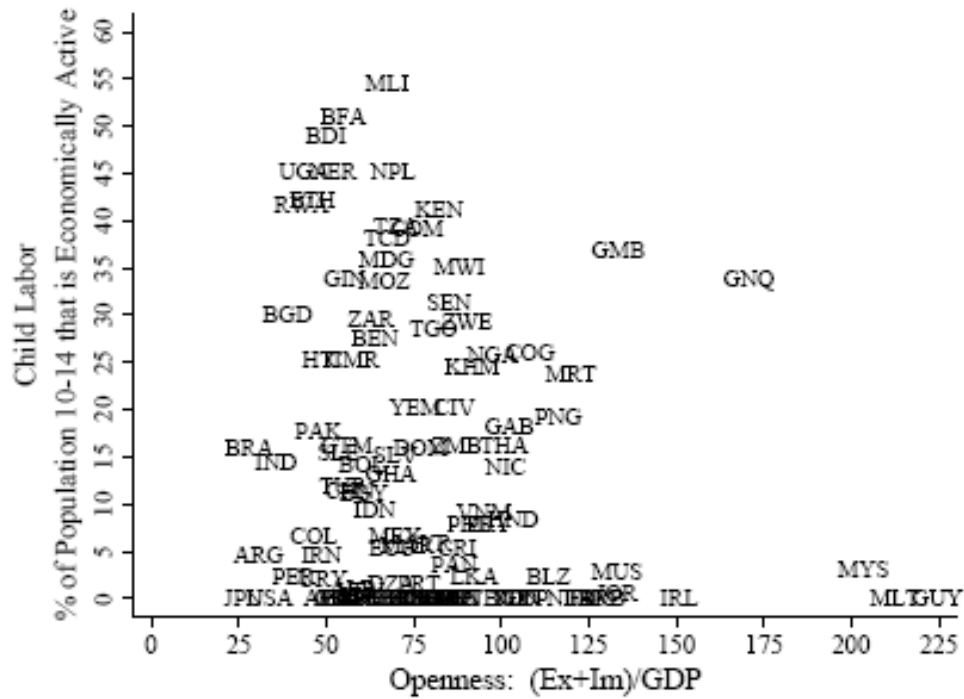
## **International Standards**

In 1973 the International Labour Organization formulated Convention 138, which prohibits child labor, performed by children of mandatory school age. Only 58 countries have signed the accord.

In 1989 the United Nations formulated another convention, number 32. This one leaves it up to each government to determine the age at which child labor is permitted, and under what circumstances.

Do these standards help?

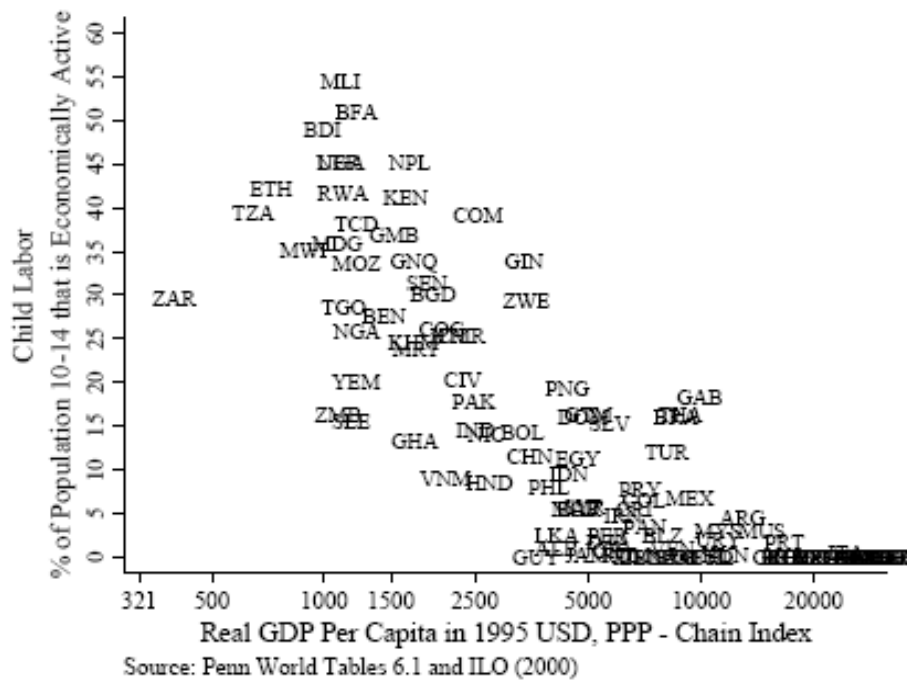
**Figure 1: Child Labor and Trade 1995**

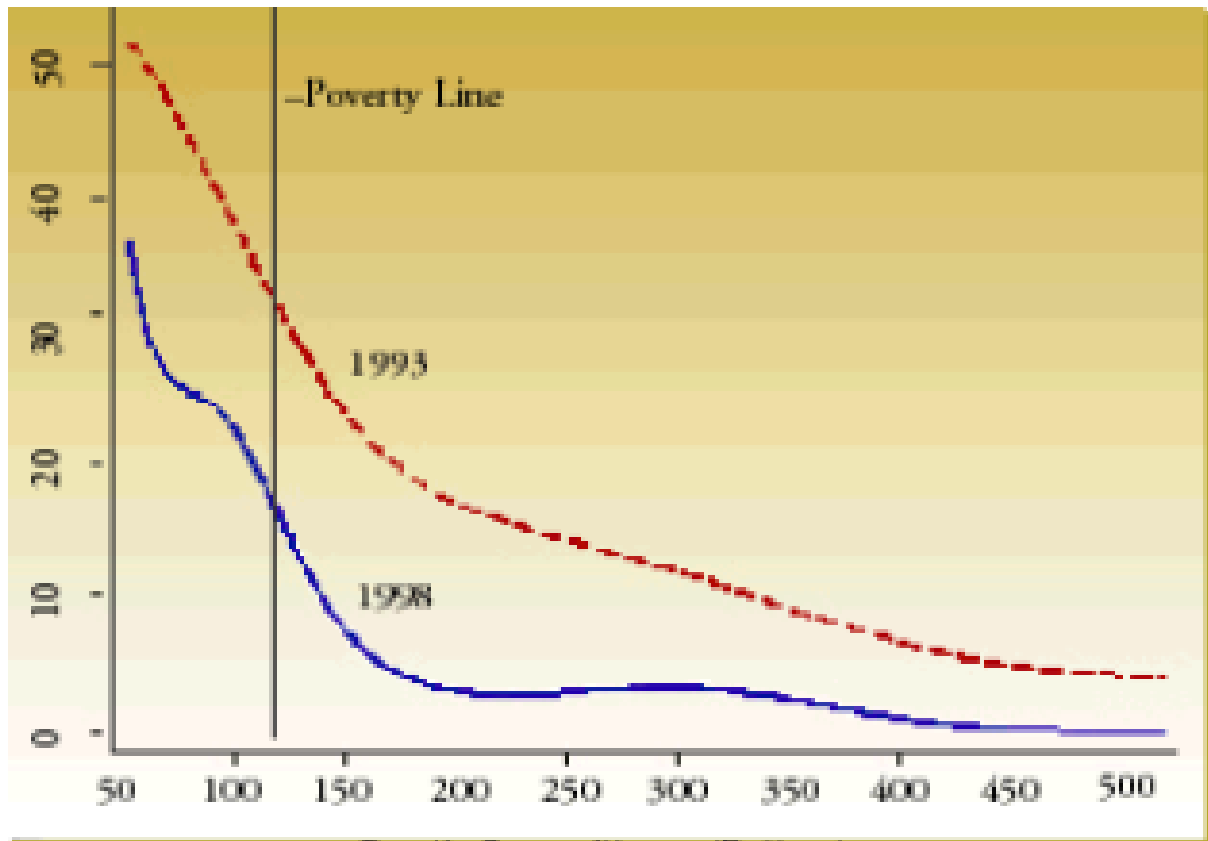


Source: World Development Indicators (2003) and ILO (2000)

Note: Singapore and Hong Kong excluded from the picture.

**Figure 2: Child Labor and Income 1995**





A Comparison of Child Labor in Various Vietnamese Low Income Groups, 1993 and 1998.

Table 6: Child Labor, Openness, and Country Endowments

	(1)	(2)	(3)	(4)
Openness	-0.13 [0.141]	-0.664 [0.776]	-1.287 [1.959]	-0.053 [0.038]
Openness*Years of schooling	0.013 [0.017]			
Years of schooling	-2.809 [1.217]**			
Openness*ln(K/L)		0.063 [0.078]		
ln(K/L)		-8.215 [3.320]**		
Openness*ln(GDPPC)			0.128 [0.196]	
Openness*ILO Conv. 138				0.078 [0.047]
ILO Convention 138				-6.567 [4.345]
Income Polynomial	Yes	Yes	Yes	Yes
IV for Openness and interactions	Yes	Yes	Yes	Yes
Observations	94	108	113	111
R-squared	0.81	0.79	0.61	0.76

Robust standard errors in brackets. \* significant at 10%; \*\* significant at 5%. See Table 2 for additional explanation.

Source: Edmonds/ Pavnic

Discuss Endogeneity of ILO Convention

## **What happens if OECD Countries ban goods produced by child labor?**

**Does an import ban of goods produced by children lead to an increase in prostitution, beggary, crime?**

"Child abuse would increase with a [child] labor ban, with children being sucked into prostitution, bootlegging and drug peddling." Pradeep S. Metha, in an interview on the 'Indian Carpet Crisis'

**Poverty causes child labor. As OECD countries ban imports of goods processed by children, poverty does not vanish.**

**Discuss!**

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