

# **CHAPTER - 4**

## **ECONOMIC DEVELOPMENT AND CHILD LABOUR**

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# **CHAPTER - 4**

## **ECONOMIC DEVELOPMENT AND CHILD LABOUR**

### **4.1: INTRODUCTION**

Development refers to the improvement of socio-economic aspect of the community through some innovative idea. It leads to the introduction of new technology in the process of economic growth. Human capital based on education, health and motivation is the mile stone of economic growth of the nation (Romar, 1986; Locus 1988; Marshall Ray, 2005; Todaro and Smith, 2009). Human capital accumulation is particularly determined by the growth process of the child. The reason is child is an asset in this ground (Triparthy, 1994; Mehta, 2008). Child has a lot of potentiality towards growth technology. The engine of rapid economic growth of the country is the development of the child.

But, child labour drives out the creativity of a child due to lack of proper education and vocational training and it prevents economic development. Child labour is a hindrance for introduction of skilled labour in a world of high technology. Without proper education and training, a child can never be a skilled labour in the face of modern technology which he will face during manhood.

### **4.2: CHILD LABOUR IN DEVELOPING SCENARIO**

Human capital formation is a great challenge in developing economy due to inadequacy of learning system (R. Marshall, 2005). Inequalities of wealth and income distribution of capital base economy perpetuate poverty and hence the children labour. Poverty and child labour are the two sides of a coin. Poor households are often forced to make difficult decisions about current consumption and future income without hesitating to decide the number of children to have. In making such decisions families are required to forecast the future returns on education. The actual returns on education, however, will

most likely depend on a number of factors, including the growth of the overall economy and inputs into the education infrastructure issued by the government. It is unrealistic to expect perfect foresight on the part of poor households, so these households will generalize the future returns on education based on their own experiences. It is also right to say that child working at present will harm the overall human capital attainment of individuals, so the adult labour market experiences of parents who were the child labour once may be quite different in the present era.

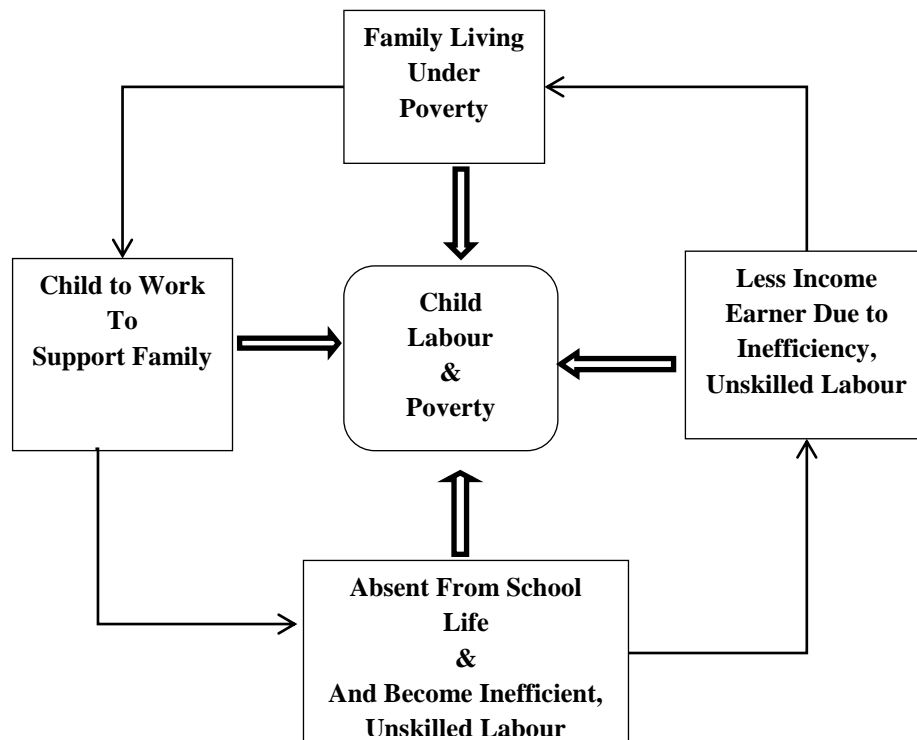
It is elaborated by Becker (1974), Baland and Robinson (2000) that the insurance for raising future income by sacrificing present expenses is the result of human capital formation and less impact on child labour. The reason is investment can be done on child development with the income getting from insurance and hence positive impact on human capital. According to this group of study, it is an efficient decision of household towards their children and assists to human capital accumulation to the nation.

From the analysis of Loury (1991), Coleman (1998), Bourdieu (1986), it is found that social capital and cultural capital are the key complement to the economic capital. The socio-economic background consists of social segregation, racial variation, difference of household income and parental education is the eventual element of education of growing family member. They emphasized on the role of social capital in the creation of human capital. The outcome of child activity is based on the relationship between parents and child determined by social norms.

Along with a number of factors of child labour, the fundamental factor is the poverty of the people that generates the life circle of an individual with child labour. Poverty always accompanied by poor income of the family member which creates child labour. The child labour perpetuates the poverty. The reason is the present child labour will have less income in adulthood due to lack of efficient technological knowledge. They have annual income less than Rs. 100,000/-. From the writings of Loury (1991), Coleman (1998), Galor and Weil (2000), Caselli and Coleman (2006) and Diana Kruger (2007), the movement of child labour and poverty is found mutually exclusive. It means the authors and researchers liked to expose that child labour engulf all the possible

development and skill of the children. Children who are working in tender age are excluded from school attendance and life entertainment. In consequence, such children failed to be a skill person to handle the works efficiently in later stage of life. Due to lack of specialisation of work in future, the employee earn less and standard of living remain constant (i.e. live in poverty). The poverty again leads to employ their child in order to supplement their low family income. Thus, Poverty and Child labour is a circular flow of poor income group of the family. It adversely impact on human capital formation and growth of national income. So, where there is the poverty, there is the high expectation of child labour. The low income group never think about return on education investment and development of child potentiality. Such low income group prefer the means of survival rather than child development. The relationship of poverty and child labour is shown in the following figure: 4.1.

### **POVERTY AND CHILD LABOUR**



**Figure: 4.1** Poverty and Child Labour

The above figure: 4.1 explained that poverty is the root cause of large family member by increasing birth rate and used them as the means of raising household income. The concept of the poor income group is that larger the size of family, the higher will be the family income. In consequence, children are deprived from school education, playground and normal status of living. The absence of school life in childhood makes them inefficient and unskilled labour in future. Without literal knowledge, no labour is expert and efficient labour only by doing. Generations to generation they will earn less income and become out dated in the face of modern technology and hence fall in poverty. So, poverty is responsible for child labour which affects the economic development of the country. In fact, important determinants of poverty and child labour are family size, income of the household, availability of educational institution and social environment around the children.

As pointed out by Grootaert and Patrinos (1999), a dangerous fact is that promoting household enterprises will increase the employment of parents and as such increase the demand for their children to work in these enterprises. He further added that there is an important gender dimension to child labour in household enterprises. Employment of the mother is a serious determinant of child work, especially for girls. When woman to work as entrepreneur, her daughter is often recruited to work in the home enterprise.

A seminal paper by Rosenzweig and Evenson (1977) provides strong empirical evidence that one of the basic conditions motivating Indian families to bear relatively large numbers of children in the late 1950's was the high return to the use of unskilled labour power of children compared to investments in skills obtained in schools.

Swaminathan (1998) examined the relation between current earnings and the age of entry into the workforce in a sample of 5631 children working in the city of Bhavnagar in Gujarat (mainly in non-agriculture activities). She found that those who started working at a later age were more likely to have higher earnings than those who started working very early. The reason was that children working in a later stage were skilled and specified so as to contribute a fair part to the economic development than working

in the very early days which had adverse effect in the share of education and proper training. Training and institutional/non-institutional education both are mutually dependent and make a perfect efficient skilled labour.

A study by Kucera (2001) found only partial confirmation of Rodrik's results from a cross-section of 170 countries for the mid-1990s using five different quantitative indicators of child labour as explanatory variables (among others) in models of manufacturing wages and foreign direct investment. Kucera got a quite robust positive relationship between nationwide child labour indicators and manufacturing wages, and a negative (but non-significant) relationship between child labour in trade able sectors and manufacturing wages (controlling for manufacturing labour productivity, per capita income, and other structural variables). The positive relationship was somewhat surprising but could be explained if one assumed that child labour reduced the relative supply of skilled workers, which presumably were mostly needed in manufacturing, making their wages to rise even controlling for productivity. The negative effect of child labour in trade able sectors on manufacturing wages was instead consistent with prior expectations, but it was interesting that the effect was statistically not significant and also not robust to the inclusion of regional dummies. Moreover, Kucera found no solid evidence that foreign direct investment tend to be higher in countries with more child labour. Since the available empirical evidence indicated that child labour did not attract foreign direct investment, it seems incorrect to blame child labour for job losses in rich countries. If child labour had an impact on rich countries labour markets, it may affect the relative wages of unskilled workers to the extent in which they work in labour-intensive industries directly competing with imports coming from the developing countries. However, the empirical evidence for labour cost saving through child labour in developing countries was not robust, while there was no evidence at all of spill-over effects from child labour in developing countries to lower wages in developed countries.

Developing countries employing children typically have output below full employment level and present open unemployment or under-employment, so it is reasonable to assume that employers are making a choice between adults and children and are not

forced to employ children by labour supply constraints. Payment by piece rate is found to be the general practice also by Usha and Devi (1997) based on interviews to 129 children working in beedi and agarbati industries from a village in Tamil Nadu (India).

#### **4.3: IMPACT OF CHILD LABOUR IN THE LONG RUN ECONOMIC DEVELOPMENT**

Rossana Galli (2001) investigates the impact of child labour on long run economic development and found economic impact in two levels as:

- a) **Micro Family Level:** In the short run, the child labour is positive to increase household income and raise the possibility of survival.

In the long run, child labour creates poverty and in consequence lower human capital. Child labour and school attendance are inversely related (i.e. rise in child labour lower the school attendance). According to him, the child labour other than agriculture cannot lead to skill development. As a whole, child labour slowed down the economic growth in the long run.

- b) **Macro Level Findings:** Child labour affects the long run human capital accumulation and slowed down economic growth and social development. Child labour is popular in unorganised and small unit sector where capital investment and equipment is less. It creates inequalities of income in both short run and long run. Foreign direct investment is also affected due to inadequacy of human capital in the economy.

As argued by Evans and Honkapohja (1993), Government policy plays important role to move against child labour and expectations on education. Prohibiting child labour and mandating education will force household to learn that the return to education is higher than they believed. Thus, children accompanied by labour at an early age and incomplete education have high fertility option of the individuals. In addition, Dessy and Vencatachellum (2003) show that expectations may select a child labour having no education in the presence of strategic complementarities and hence, fall in human

capital formation. Nevertheless if deviation percentage of people for education is highest then the return on education for destitute poor people will come down due to low job opportunities and this again creates child labour. It declines the human capital accumulation.

However, in the study area, it is found that poverty and illiteracy is the main cause of child labour because they do not have knowledge of population planning. They have the job opportunities without educational qualification. They are low paid workers and desire to raise family size as a source of additional income. So, the expectations on education and child development are ineffective in such backward area.

Although parents may act rationally by sending their children to work in order to increase the probability of survival, they may not foresight the long run negative implications of child labour for their own family. It is given below:

- (1) Child labour can slow down long run growth and social development through reduced human capital accumulation. A lower human capital accumulation also has a direct negative effect on the level of social development.
- (2) Child labour occurs mostly in the unorganised sector and in small units with simple technology and little capital equipment. Whether reducing child labour would speed up capital investment and technological change depends on the impact on adult wages. Moreover, an increase in adult wages might simply push out of business poor employers relying on child labour, without boosting investment and technological change.
- (3) Child labour can have an impact on income inequality in the short run, and not income inequality in the long run.
- (4) Child labour might affect more girls than boys, especially in inequality in education. Gender inequality in education represents a major obstacle to social development and provides negatively affect in long-run growth.



(5) Child labour does not attract foreign direct investment. The evidence in labour-intensive goods produced with child labour is also uncertain.

#### **4.4: EXPECTATIONS, CHILD LABOUR AND DEVELOPMENT**

Along with poverty, health and safety with democratic participation in the work place are important determinants of economic development. Expectation refers to the expectations of parents of the children towards investment on Education. Most of the families are belonging to live in poverty line would like to forecast the future returns on education. It depends upon a numbers of elements including growth of overall economy and the input facility of the education provided by the government. However, it is unrealistic that proper forecast done by this section of the households are not likely to be accepted, yet for such individuals future return on education is unexpected according to household's own experience. But, it is true that working at very early age of the people is harmful to the overall human capital accumulation of the individual and hence, the adult labour market experiences of parents who are the child labour initially may be different at present days (Emerson and Souza, 2007). It means that in the presence of ultra-modern technology in the working field, the old labour market is turned into specialized labour market where unskilled labour is not demanded. Rapid economic development requires the skilled labour market.

In the society where the demand for skill and knowledge is weak, the return to education is lower. The nature of demand for human capital based national education expenditures (Rosenzweig and Evensong, 1997).

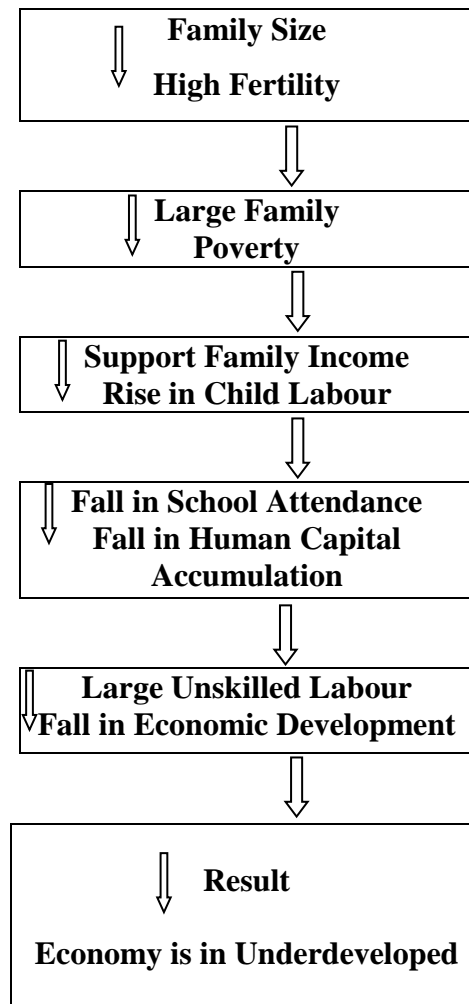
Birdsall (1991) analysed that mother's market work period is an important determinant of school attendance of children and human capital formation. He extract the view that during the period of maternity, the mother market work period declines the household income and leads to withdraw their child from school. It is the negative impact on household income and the formation of human capital. So, fall in household income leads to poverty which in turn affects the proper development of child potentiality.

To accomplish economic development and child labour, parents are quite ignorant about to make the relationship between child labour and child development process. For those individuals who have least income to survive, they do not have good knowledge about the unexpected potentiality of the children in the modern dynamic scientific socio-economic era. Child has enormous potentiality to develop their working ability in the pace of new technology introduced in the development process of the economy.

Child is the base of human asset. Proper treatment towards nutrition and education is necessary for human capital accumulation. On the basis of Romar (1986), Locus (1998), Rosenzweig and Evensong (1977) and Birdsall (1991) analysis, various steps related to children and human capital formation are given below in figure: 4.2.

Figure: 4.2 reflect that high fertility always increase the size of the family member. It leads to the poor standard of living with limited income. The family members try to increase the rate of employment. As a result, head of the family employing their children below 14 years old in the field of earning. It creates child labour by leaving school education. It adversely impact on development child potentialities. In consequence, such children failed to be an efficient and skilled labour in manhood. It affects the human capital accumulation. It is the turning point of erosion of human capital accumulation. Hence, community development comes down. So, it is clear that child labour is inversely related to human capital accumulation. It leads to fall in economic development.

## **CHILD LABOUR & HUMAN CAPITAL**



**Figure: 4.2** Child Labour and Human Capital

Above figure: 4.2 clears that human capital accumulation is inversely related to child labour. The studies relating to child labour and human capital (Burra, 1995; Ehrenberge, 1995; Bequele and Myres, 1995) revealed that:

- a) Child labour in any industry and factory are harmful to the proper growth of adult and make disabled in human growth,
- b) Child labour has negative impact on regular school attendance and in consequence, reduces the formation of human capital in LDCs.

Regarding expectations on education, it is found that if the parents have negative attitude on the return of education in future then these parents has more children and sends them the labour market as a source of income. On the other hand, if the parents has positive attitude on the return of education in future, they control the birth rate which decline the numbers of child and can invest in education for high expectation and such attitudes of the parents increase the ability to build human capital.

#### **4.5: CONCLUSION**

Childhood constitute the most crucial period in life, when the foundations are laid for cognitive, social emotional, physical development and cumulative lifelong learning. Survival, development and growth of a child have to be looked at in a holistic manner and there have to be balanced linkages between education-health and nutrition. Future development of the nation is primarily based on the wellbeing of its children.

It is obvious that economic development requires quality child who have good knowledge on competing with dynamic technology. Child is the foundations of human resources who are treated as an asset. Diversified technological development is based on human capital. The base of human capital is the child development. So, all the groups (i.e. government, society, corporates and individuals) must have keen interest to advance the opportunity of education, nutrition and recognition to make the child a human capital.

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