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A Case Against Child Labor Prohibitions

by Benjamin Powell

Halima is an 11-year-old girl who clips loose threads off of Hanes underwear in a Bangladeshi factory.¹ She works about eight hours a day, six days per week. She has to process 150 pairs of underwear an hour. At work she feels “very tired and exhausted,” and sometimes falls asleep standing up. She makes 53 cents a day for her efforts. Make no mistake, it is a rough life.

Any decent person’s heart would go out to Halima and other child employees like her. Unfortunately, all too often, people’s emotional reaction lead them to advocate policies that will harm the very children they intend to help. Provisions against child labor are part of the International Labor Organization’s core labor standards. Anti-sweatshop groups almost universally condemn child labor and call for laws prohibiting child employment or boycotting products made with child labor.

In my recent book, *Out of Poverty: Sweatshops in the Global Economy*, I argue that much of what the anti-sweatshop movement agitates for would harm workers and that the process of economic development, in which sweatshops play an important role, is the best way to raise wages and improve working conditions. Child labor, although the most emotionally charged aspect of sweatshops, is not an exception to this analysis.

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We should desire to see an end to child labor, but it has to come through a process that generates better opportunities for the children—not from legislative mandates that prevent children and their families from taking the best option available to them. Children work because their families are desperately poor, and the meager addition to the family income they can contribute is often necessary for survival. Banning child labor through trade regulations or governmental prohibitions often simply forces the children into less-desirable alternatives. When U.S. activists started pressuring Bangladesh into eliminating child labor, the results were disastrous.

Effects of Child Labor Bans

In 1993 Sen. Tom Harkin (D-IA) introduced the Child Labor Deterrence Act, which would have banned imports from countries employing children. In response, that fall Bangladeshi garment companies let go approximately 50,000 children. According to the U.S. Department of Labor, “It is widely thought that most of them have found employment in other garment factories, in smaller, unregistered subcontracting garment workshops, or in other sectors.”² That makes the introduction of the bill seem simply ineffective. The Department of Labor is sugarcoating the situation. Paul Krugman summarizes what happened more bluntly: “The direct result was that Bangladeshi textile factories stopped employing children. But did the children go back to school? Did they return to happy homes? Not according to Oxfam, which found that the displaced child workers ended up in even worse jobs, or on the streets—and that a significant number were forced into prostitution.”³ Based on the information they have, families tend to choose the best available job for their children. Taking that option away does not eliminate

the necessity of work; it forces them to take a less-desirable job. As repulsive as a child working in a sweatshop may be, it is not nearly as repulsive as a child forced into prostitution through the actions of unthinking Western activists.

The Bangladesh story is a dramatic one, but it illustrates the general point that when children lose factory jobs they find less desirable jobs to replace the jobs they lost. In countries where sweatshops locate, child labor is often the norm, and most of the children work in less remunerative sectors with fewer opportunities for advancement than manufacturing, such as agriculture or domestic services.

In 2003 the World Bank measured the percentage of children aged 10 to 14 that were working in most countries.⁴ As Table 1 shows, child labor is not uncommon. Rates of child labor range from a high of nearly 27 percent of children in Bangladesh to a low of 3.3 percent in Costa Rica.⁵

The World Bank also collects data on the economic sectors in which children are employed. Figure 1 presents the distribution of employment of economically active children between the ages of 7 and 14 by sector.⁶

In seven of the nine countries for which data exists, most children were employed in agriculture, often by a wide margin.⁷ In the two exceptions, Costa Rica and the Dominican Republic, the leading sector employing children was service. India had the highest proportion of children employed in manufacturing, and there it was a little over 14 percent. Protests against sweatshops that use child labor implicitly assume that ending child labor in sweatshops by taking away the option to work in a factory will, on net, reduce child labor. Evidence on child labor in countries that have sweat-

shops indicates that is wrong. It is not a few “bad apple” firms exploiting children in factories. Child labor is common. Employment in agriculture is not necessarily safer, either. A 1997 child labor survey showed that 12 percent of children working in agriculture reported injuries, compared with 9 percent of those who worked in manufacturing.⁸

Child Labor and Economic Development

The thought of Third World children toiling in factories to produce garments for us in the developed world to wear is appalling, at least in part because child labor is virtually nonexistent in the United States and the rest of the more developed world.⁹ Virtually nowhere in the developed world do kids toil long hours every week in a factory in a manner that prevents them from obtaining schooling.

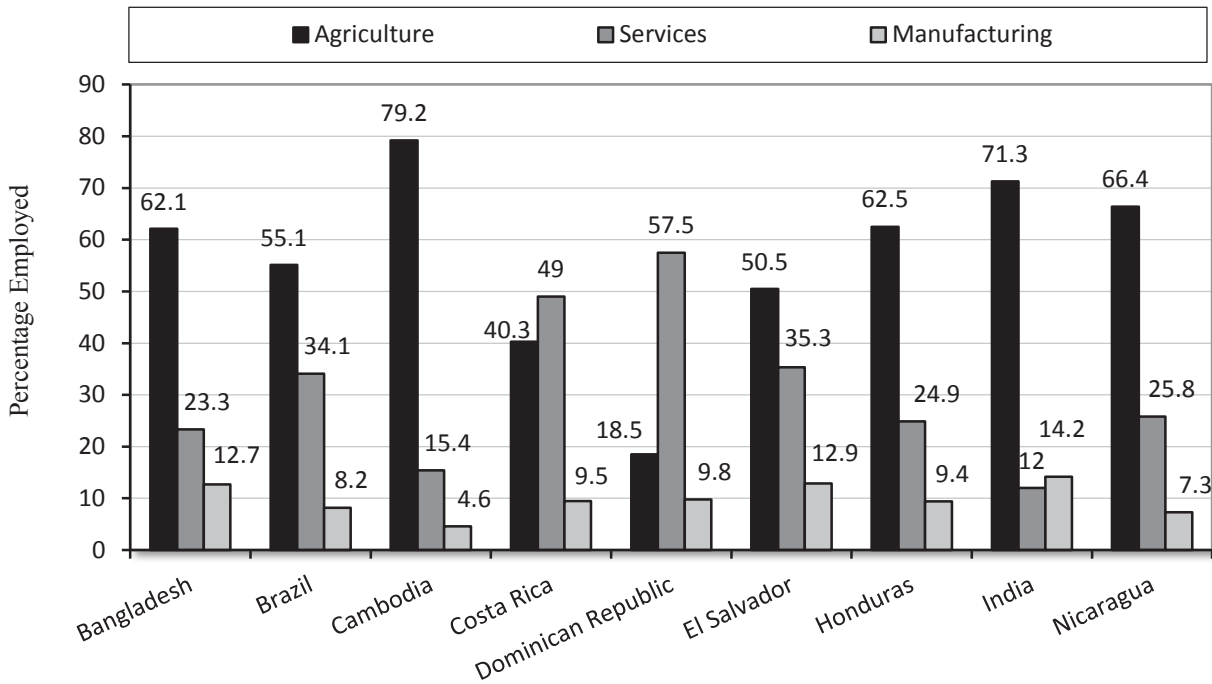
Children typically worked throughout human history, either long hours in agriculture or in factories once the industrial revolution emerged. The question is, why don’t kids work today? Rich countries do have laws against child labor, but so do many poor countries. In Costa Rica the legal working age is 15, but an ILO survey found 43 percent of working children were under the legal age.¹⁰ Similarly, in the United States, Massachusetts passed the first restriction on child labor in 1842. However, that law and other states’ laws affected child labor nationally very little.¹¹ By one estimate, more than 25 percent of males between the ages of 10 and 15 participated in the labor force in 1900.¹² Another study of both boys and girls in that age group estimated that more than 18 percent of them were employed in 1900.¹³ Economist Carolyn Moehling also found little evidence that minimum-age laws for manu-

Table 1
Percentage of Children Age 10–14 in Labor Force in Selected Countries

Country	Proportion of Children (%)
Bangladesh	26.5
Brazil	13.4
China	5.5
Costa Rica	3.3
Dominican Republic	11.5
El Salvador	10.3
Haiti	21.4
Honduras	5.5
India	10.7
Indonesia	6.8
Burma	22.0
Nicaragua	8.9
Thailand	10.0

Source: The World Bank.

Figure 1
Percent of Economically Active Children Employed by Sector



Source: The World Bank.

facturing implemented between 1880 and 1910 contributed to the decline in child labor.¹⁴ Similarly, economists Claudia Goldin and Larry Katz examined the period between 1910 and 1939 and found that child labor laws and compulsory school-attendance laws could explain at most 5 percent of the increase in high school enrollment.¹⁵ The United States did not enact a national law limiting child labor until the Fair Labor Standards Act was passed in 1938. By that time, the U.S. average per capita income was more than \$10,200 (in 2010 dollars).

Furthermore, child labor was defined much more narrowly when today’s wealthy countries first prohibited it. Massachusetts’s law limited children who were under 12 years old to no more than 10 hours of work per day. Belgium (1886) and France (1847) prohibited only children under the age of 12 from working. Germany (1891) set the minimum working age at 13.¹⁶ England, which passed its first enforceable child labor law in 1833, merely set the minimum age for textile work at nine years old. When these countries were developing, they simply did not put in place the type of restrictions on child labor that activists demand for Third World countries today. Binding legal restrictions came only after child labor had mostly disappeared.

The main reason children do not work in wealthy countries is precisely because they are wealthy. The relationship between child labor and income is striking. Using the same World Bank data on child labor participation rates we can observe how child labor varies with per capita income. Figure 2 divides countries into five groups based on their level of per capita income adjusted for purchasing power parity. In the richest two fifths of countries, all of whose incomes exceed \$12,000 in 2010 dollars, child labor is virtually nonexistent.

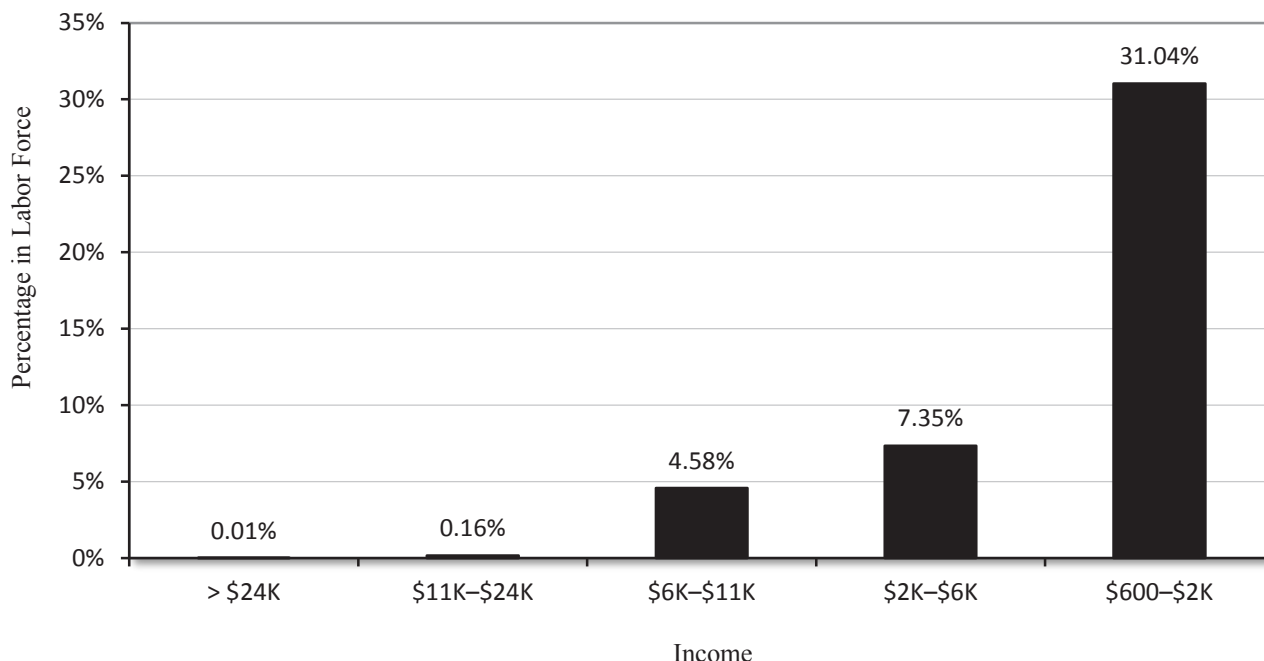
It is only when countries have an income less than \$11,000 per year that we start to observe children in the labor force. But even here, rates of child labor remain relatively low through both the third and fourth quintiles. It is the poorest countries where rates of child labor explode. More than 30 percent of children work in the fifth of countries with incomes ranging from \$600 to \$2,000 per year. Economists Eric Edmonds and Nina Pavcnik econometrically estimate that 73 percent of the variation of child labor rates can be explained by variation in GDP per capita.¹⁷

Of course, correlation is not causation. But in the case of child labor and wealth, the most intuitive interpretation is that increased wealth leads to reduced child labor. After all, all countries were once poor; in the countries that became rich, child labor disappeared. Few would contend that child labor disappeared in the United States or Great Britain prior to economic growth taking place—children populated their factories much as they do in the Third World today. A little introspection, or for that matter our moral indignation at Third World child labor, reveals that most of us desire that children, especially our own, do not work. Thus, as we become richer and can afford to allow children to have leisure and education, we choose to.

Conclusion

The thought of children laboring in sweatshops is repulsive. But that does not mean we can simply think with our hearts and not our heads. Families who send their children to work in sweatshops do so because they are poor and it is the best available alternative open to them. The vast majority of children employed in countries with sweatshops work in lower-productivity sectors than manufacturing. Passing

Figure 2
Percent of Children Age 10-14 in Labor Force by Country Income Quintile



Source: The World Bank.

trade sanctions or other laws that take away the option of children working in sweatshops only limits their options further and throws them into worse alternatives. Luckily, as families escape poverty, child labor declines. As countries become rich, child labor virtually disappears. The answer for how to cure child labor lies in the process of economic growth—a process in which sweatshops play an important role.

Notes

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1. National Labor Committee, “Child Labor: 11 year-old Halima Sews Clothing for Hanes,” 2006. A video of this interview with Halima is available at <http://www.youtube.com/watch?v=pTIfY9SmJdA>.
2. U.S. Department of Labor, Bureau of International Labor Affairs, *1994 Child Labor Report*, Bangladesh, <http://www.dol.gov/ilab/media/reports/iclp/sweat/bangladesh.htm>
3. Paul Krugman, “Reckonings; Hearts and Heads,” *New York Times* (April 22, 2001), p. 17. Similarly, UNICEF, *The State of the World’s Children* (Oxford: Oxford University Press, 1997), <http://www.unicef.org/sowc97/>, reports that many of these children turned to prostitution.
4. World Bank, *World Development Indicators*, CD-ROM (Washington: World Bank, 2005).
5. Mauritius is excluded from Table 1 because it is an outlier that is not representative of the general situation as I explain in *Out of Poverty*.
6. For each country, an average was taken for all years between 2000 and 2009 for which data are available.

7. The World Bank database does not include data for Vietnam, but Eric V. Edmonds and Nina Pavcnik, “Child Labor in the Global Economy,” *Journal of Economic Perspectives* 19, no. 1 (Winter 2005): 204, report that 92 percent of children working in Vietnam in 1998 worked in agriculture.

8. Kebebew Asshagrie, *Statistics on Working Children and Hazardous Child Labour in Brief*, Geneva: International Labor Organization (1997).

9. The International Labor Organization (ILO) estimates that 18 percent of children aged 5 to 14 are economically active worldwide. Of these, it estimates that 94 percent of them are in low-income countries, and only 2 percent are in what it classifies as developed countries. ILO, *Every Child Counts: New Global Estimates on Child Labour*, Geneva: ILO (2002).

10. International Labor Organization, Summary of the Results of the Child and Adolescent Labour Survey in Costa Rica, Geneva: ILO (2002), <http://www.ilo.org/ipec/ChildlabourstatisticsSIMPOC/Questionnairesurveysandreports/lang--en/index.htm>.

11. The remainder of this paragraph and the next draws on research found in Joshua C. Hall and Peter T. Leeson, “Good for the Goose, Bad for the Gander: International Labor Standards and Comparative Development,” *Journal of Labor Research* 28, no. 4 (September 2007): 658–76.

12. Robert Whaples, “Child Labor in the United States,” in *EH.Net Encyclopedia*, ed. R. Whaples, retrieved from <http://eh.net/encyclopedia/article/whaples.childlabor>.

13. Samuel Lindsay, “Child Labor in the United States,” *American Economic Association* 8, (February 1907): 256–259.

14. Carolyn Moehling, “State Child Labor Laws and the Decline in Child Labor,” *Explorations in Economic History* 36, no. 1 (1999): 72–105.

15. Claudia Goldin and Larry Katz, “Mass Secondary Schooling and the State: The Role of State Compulsion and the High School Movement,” *NBER Working Paper* No. 10075 (2003).

16. France and Prussia both had earlier laws prohibiting child labor, but they were not enforceable. See Hall and Leeson (2007).

17. Edmonds and Pavcnik, (2005): 210.