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The Economics of Child Labour

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progress made by the descendants of immigrants who came after 1890.

Perlmann finds that the current gap in educational attainment is significantly greater for second-generation Mexicans than it was for his historical reference group, children of low-skilled immigrants who came to the United States after 1890. In addition to comparing immigrants to native whites, the author compares the experience of second-generation Mexicans with that of *native blacks* in terms of educational attainment, teenage pregnancy, and incarceration. He finds that most forms of risky behavior, such as teenage pregnancy and crimes leading to incarceration, occur at higher rates among native blacks than among second-generation Mexicans. However, the most notable exception to this pattern, a high school dropout rate higher among second-generation Mexicans than among blacks and most other groups, could portend serious problems. Perlmann believes that current immigrants from Mexico may take longer to assimilate than did previous immigrants at the turn of the 20th century because the relatively poor educational performance of their youth coincides with a time of large increasing returns to education in the United States. In fact, he speculates that because of this educational gap, four or five generations may pass before immigrants from Mexico successfully assimilate into the American mainstream.

This book contributes some notable refinements to the immigration literature, and I would recommend it to anyone interested in studying how recent immigrants compare to past immigrants. The author's discussion of immigration past and present not only makes interesting reading, but also brings some clarifying historical insights to the immigration debate.

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The Economics of Child Labour. By Alessandro Cigno and Furio Camillo Rosati. Oxford: Oxford University Press, 2005. 264 pp. ISBN 0-19-926445-7, \$85.00 (cloth); 978-0-19-926445-2, \$68.00 (paper).

The Economics of Child Labour is a valuable effort to understand, both theoretically and empirically, the causes and consequences of child labor, and to address some policy issues. It is a general overview and collection of the authors' previous

contributions to the theoretical and empirical literature. In the theoretical part of the book, Cigno and Rosati's refinements to some of the existing models are shown to yield more nuanced results than previous economic studies. The volume's empirical part is an attempt not to estimate the parameters of the model directly, but instead to evaluate some predictions of the model. Along the way, the authors discuss policy implications.

For readers seeking a general overview of the economics literature on issues surrounding child labor, this book is not the best starting point. Such readers would do better to consult the overviews offered by articles in some specialized journals, such as Kaushik Basu and Zafiris Tzannatos' "The Global Child Labor Problem: What Do We Know and What Can We Do?" (*World Bank Economic Review*, 17:2, 2003) and Eric Edmonds and Nina Pavnick's "Child Labor in the Global Economy" (*Journal of Economic Perspectives*, 19:1, 2005).

The authors argue that poverty is an important cause of child labor and that working at a young age can have lasting deleterious effects. However, as in any detailed investigation, the findings are full of nuances, exceptions, and qualifications. Poverty, for example, can itself result from any of a myriad underlying causes, and the vectors that are responsible in each specific case—from the parents' access to credit to the cost of schooling and the availability of water and electricity—must be taken into consideration when fashioning policies to enhance children's welfare. The consequences of child labor vary as a function of many factors, including gender, age, place, and type of work. There is no silver-bullet policy to curb child labor, and the correct mix of policies depends on the particular context. As the authors rightly conclude, much can be done to alleviate the evils of child labor beyond just sitting and waiting for economic growth, but a careful understanding of the particular context is fundamental.

In the theoretical discussion presented in the first three chapters, the authors develop a sequential-decision family model that considers the parts played by the decisions on fertility, human capital investment, child labor, and intergenerational transfers. In line with the theoretical literature on child labor, it is assumed that economic decisions are made on children's behalf by altruistic parents, and that all families strive to achieve a subsistence level of consumption before making other purchases and investments. One argument the authors make that is interesting, and perhaps novel in the child labor literature, is that this model is consistent with a family "constitution" sustained as a Nash Equilibrium, comprising two social rules: parents transfer at least the subsistence

consumption level to their children; and parents also transfer at least the subsistence consumption level to their own parents, if the latter have themselves complied with the constitution.

The model leads to several previously established predictions. It predicts, for example, that child labor is due to poverty, that there is a trade-off between children's current consumption and their human capital formation, that there is a trade-off between quantity and quality of children, and that credit rationing (the refusal of lenders to satisfy certain borrowers' need for loans) leads to an excessively high and inefficient level of child labor. Among the less expected results is the model's prediction that child labor can be inefficiently *low* if parents are not allowed to buy assets with yields exceeding the marginal return to education. When the authors add the assumption of a fixed cost of education, the results become more down-to-earth. This adjustment leads to the prediction that some children may remain idle (neither working nor at school), which is in fact a common pattern in many developing countries.

Unfortunately, the model's structure results in its omission of three important aspects of the literature: heterogeneity among children, the bargaining process between parents, and the intergenerational transmission of human capital. An allowance for child heterogeneity would allow one to predict specialization of time allocation among children; acknowledgment that a bargaining process may take place between parents would lead to the prediction that fathers and mothers have different effects on their children; and an intergenerational component in the model would make it possible to identify the specific nature of the intergenerational transmission of human capital—an important consideration for policy-makers. Of course, no model can capture every empirically relevant variable. Further extensions in the present case, however, might further strengthen a model that is already an important advance—both in the richness of the description it provides and in its grounding in reality—over previous economic models of child labor.

Chapters 4–9 present empirical investigations of the determinants and consequences of child labor. Using several different micro-data sets from developing countries, the authors investigate some causal relationships predicted by their model. To establish causality, they make use of instrumental variable estimations or matching algorithm estimations with robustness checks. While it is not practical to summarize all their findings here, a small selection of them will serve to illustrate the nuances alluded to above.

Among Cigno and Rosati's results on the de-

terminants of child labor is the expected finding that school availability in rural India is associated positively with the probability of children's school attendance and negatively with the incidence of child labor. More surprisingly, the acreage farmed by the child's family, *ceteris paribus*, positively affects the probability that the child either (a) works and does not attend school or (b) combines work and study. The interpretation is that the area of land farmed is a proxy for the child's marginal product of labor. Increases in land area, holding poverty level, family size, and land tenure constant, are equivalent to a substitution effect due to wage increases. The consequence of a land redistribution policy without income redistribution would therefore be to increase child labor among families with little or no land before the policy, and to reduce child labor among families that were land-rich before the policy. If most of the children were in the first group of families, overall child labor would increase. Access to utilities—specifically, access to water and electricity, as studied in El Salvador, Ghana, Guatemala, Morocco, and Yemen—decreases the probability that a child works and increases the probability that he or she goes to school. The interpretation is that children who do not have to help provide their families with water and energy supplies have more time for school. Using data for Guatemala, the authors also find that negative economic shocks, such as a marked rise in inflation or a poor growing season, increase the probability that a child will work if a family is credit-rationed. Thus policies aimed to improve access to credit and to provide safety nets can moderate the incidence of child labor and increase families' investments in schooling. Fertility has a positive effect on child labor, and since pension coverage decreases aggregate fertility, it tends to reduce child labor.

Finally, the book also discusses the role of international trade on child labor. The authors' evidence suggests that pulling down barriers to trade in countries that are relatively well endowed with human capital increases parents' incentive to send their children to school, whereas in countries relatively low in human capital, trade openness may increase child labor, depending on the substitutability of school time and work time.

The book also considers how child labor affects children's health. Using data for rural Vietnam, the authors find that there is no contemporaneous effect of child labor on the child's weight-for-age index. Interestingly, working for pay is associated with weight gain in children. On the other hand, in Guatemala, child labor seems to have a long-run negative health effect. Individuals who worked

as children are more likely than others to report illness up to five years later.

Notwithstanding a distracting number of typos and errors (which I hope will be corrected in future editions), this book is an important contribution to the child labor literature. Interested readers will gain both from the authors' substantive findings and from their theoretical and empirical methodology.

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Human Resources, Management, and Personnel

Implementing Codes of Conduct: How Business Manages Social Performance in Global Supply Chains. By Ivanka Mamic. Sheffield, U.K.: Greenleaf, 2004. 429 pp. ISBN 1-874719-89-6, \$65.00 (cloth).

The rise of "voluntary" methods to improve labor standards in global supply chains—notably, corporate codes of conduct (CoCs) monitored by corporations themselves or by monitoring organizations—has resulted in a highly polarized debate. On the one hand, critics have argued that these efforts by corporations constitute "window-dressing" or a public opinion management gimmick. Supporters, on the other hand, argue that such efforts are a win-win solution for business and labor, and an effective complement to existing measures for enforcing and improving labor standards.

Implementing Codes of Conduct moves away from the polarity of this debate, and instead focuses on how multinational corporations (MNCs) and the firms in their supply chain manage, implement, monitor, and adjust their corporate CoCs, and how these management systems are linked to each other. Ivanka Mamic draws on extensive fieldwork conducted as part of her role in the International Labor Organisation (ILO) to examine management practices in three interrelated industries: the global sports footwear, apparel, and retail industries. Twenty-two MNCs (and firms in their supply chains) operating in South and Southeast Asia, Latin America, the United Kingdom, Turkey, and the United States are studied.

The study itself is based on a framework developed from prior fieldwork by the ILO. This framework maps interrelated management func-

tions such as creating a shared vision, developing understanding and ability, implementing the code in operations, and encouraging and acting on feedback to improve or remediate the code's implementation. These functions are all underpinned by dialogue between employees, unions, and other stakeholders.

The multilayered analysis in this book is at once a strength and a weakness. The strength is that it offers comprehensive and detailed comparative data that were not easily available before. The weakness is that the complicated analytical structure makes it difficult to present all of the evidence simply.

Chapters 1, 2, and 3 are background chapters detailing the scope of the study, the research methods, and the nature and content of the codes. The next three chapters review the three industries and the management systems of each, including production processes, costs, worker profiles, and how MNCs attempt to implement their codes of conduct. Chapter 7 presents an overview of what actually happens in practice across all countries and industries. This chapter is divided into sections that mirror the content of the codes—freedom of association, safety, child labor, and so on. The final chapter contains a summary of findings, conclusions, and recommendations, followed by a set of terse bullet points presenting the views of management, which makes for fragmented reading.

Structural problems aside, the findings of this study are illuminating. They contribute to our knowledge about code implementation success and weakness, and they help in identifying key policy considerations. The picture that emerges is complex and contradictory. The study highlights the intricacy of regulation mechanisms faced by MNCs and their suppliers. Integrating ILO labor standards into CoCs, for example, is clearly tricky, and Mamic also shows how overlap between the domains defined by CoCs and national laws can expose perplexing legal ambiguities.

Across all three sectors, commitment by top-level management was important to the successful implementation of CoCs. While this commitment was communicated through the supply chain, not all of those in the chain fully appreciated it or understood exactly what the CoC demanded of them, particularly in integrating code issues into the operational structure (Mamic, 2004:339) of the firm. Thus, monitoring, education and training by MNCs was found to be a key determinant of supplier compliance with codes.

The study also finds that there is a move from a "policing" model to a more consultative approach by MNCs working across several sectors. This