CHAPTER 4

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4.1 Basic Concept

Historically, in our country, child labour has been seen as an economic phenomenon. A change in the economic system and the mode of production brings about a change in the structure of the labour force leading to a change in economic role of children. So, with growing industrialization, wage paid child labour are gradually increasing and they are employed in the industry as well as in domestic and commercial enterprises.

Common sense perception of the issue is that child labour is the outcome of poverty. So, the employment of children is basically an economic problem. Severe poverty of the parents forces the children to do some work for earning their livelihood. The role of the child labourers in raising the family above the poverty line in a large number of cases is also significant. Poverty is often cited as the basic cause of child labour. Statistics indicate that the incidence of child labour is larger in the economically backward and draught prone areas than in the urban areas. While it is argued that the degree of poverty is the indicator of the incidence of child labour, it is also counter argued that child labour constitutes its fundamental causes.

Though poverty is the principal cause of child labour, it is not the only or sufficient cause. Illiteracy and the lack of education, commercialization of agriculture generating
surplus labour in the farm sector, and the promotion of export industries requiring cheap labour are also the contributory factors to the growth of child labour.

The majority of the child labourers, all over the world handed over their earning to their parents or guardians. Their work is essential to meet the minimum requirements of the households in most of the cases. The notion of the working children alongside their poor parents is centuries old. It is argued that the relationship between children and work is influenced to a great extent by the stage of economic development of the country.

Child employment not only reflects economic process but also depends on normative attitudes towards children in society. Therefore, the exponents of socialization theory of child labour use, such as Schidknout (1973) and Mayer (1970), explain that the socio-cultural framework and the social institution belonging to agrarian and peasant societies emit such process whereby the use of child labour is socialized as an integral part of a family oriented social and institutional order. But a historical analysis of the socialization theory of child labour use does not throw light on why the socio-economic structure of production and distribution operates and produce child labour in developing countries. This calls for economic points for sensible arguments from socio-of view as well.

The economic justification for child labour may be examined from the stand point of a demand-supply framework.
4.2 Demand for Child Labour

As there is no statutory protection for the children we have a great demand for child labour in different sectors like industry, domestic establishments, households, commercial enterprises and in agricultural sectors in the form of wage employment. Taking advantage of the condition of poverty, employers of child labour exploit the situation to their maximum benefit and cater to the factors responsible for perpetuating the child labour phenomenon for their own interest. The demand for child labour emanates mostly from the rural agriculture sectors where they act mostly deployed as helping hands for their families in odd jobs, or in household industries or small scale units and commercial establishments. Besides, the factory Act of 1948 prohibits employment of children only in industries employing ten persons or more with power or twenty or more without power. Even the new child labour Act (1986) puts emphasis on regulation of child labour rather than prohibition. This act excludes family labour and in the process many small scale units operating as household units get exempted from the prohibition.

Besides this children cannot form unions. They are illiterate and poor, have little bargaining strength, can hardly take resort to legal remedies for their grievances and scarcely protest against the physical and mental exploitation, they are subjected to by their employers. Apart from this, there are powerful political and vested interest groups who intend to take advantage of the phenomenon of poverty of a section of people in
order to create a class of labour that can be coerced to work at a minimal payment and discarded at will.

The other reason for which there is great demand for children in the workplace due to their special characteristics is that they furnish themselves for employment in certain industries. There is a great demand for child labour in most of the export oriented industries. In these industries the child workers are considered as an asset since their employment results in lower cost of production which enables the exporters to sell at lower price and ultimately enable them to earn a comparative advantage in the international market.

Through the issue of child labour is gaining more and more attention these days, its extent has not yet declined substantially despite various protective laws. Child labour is a concrete manifestation of denial of rights of the children. Working children are denied their rights to survival and development, education, leisure, play and adequate standard of living, opportunity for developing personality, mental talents and physical abilities and protection from abuse and neglects. Thus child labour means violation of all these essential rights. In developing economics like India it has become a common feature that the surplus (under and unemployed) labour thrown up from the primary sector increasingly and inevitably join the so-called informal manufacturing sector and provide a cheap source of labour supply. This phenomenon is glaringly visible in rural and semi urban belts of West Bengal where small / cottage industries are often found to be thriving on the cheap availability of local child labour force. Poverty of the rural people is often
considered to be at the root of such cheap source of child labour, although at times some side factors also contribute to the flourishing of its size. In this context it is thought imperative to analyze the issue based on some primary survey in some area where flourishing informal industrial activity and poverty of local people provides the nexus between demand and supply side factors that further the phenomenon of child labour.

4.3 Supply side of child labour

It is often argued that one of the major influences on the incidence of child labour is a supply side influence, namely, the rate of growth of child population. Chandhri (1998) argues that, during early phases of industrialization each of the developing countries experienced a population explosion created by sharply declining death rates but high and rather sluggish total fertility rates. These imbalances affected their population pyramids, increasing the proportion of children (0 – 14 years) in total population from about 30 to 40 percent.

Child labour mostly emerges from the rural poor and urban areas. The adult members of their families themselves usually do various manual jobs often in an unhealthy atmosphere that causes their premature death or they become unproductive. Since a good majority of them work in the unorganized sector, they are forced to send their children for working as child labour to supplement their income. However, offspring are again likely to suffer from high infant mortality because of lack of primary medical facilities either
because of their ignorance/ inadequate number of primary health care units or because of lack of finance to spend on costly medicines to avert fatal diseases.

So, when these children become adults they tend to lose their productive capacity and hence income at an early age, and in turn, seeks to find support from their children. In the process the cycle of child labour (generated by the poverty engine) move on for generations. They work as labour in family enterprises and undertake various household duties, thus enabling parents to do outside work or work outside family atmosphere in low paid condition.

On the supply side, the most widely held explanation for child labour is the poverty of households who supply children to the labour force. This is because of the low economic status of the families, where the children are seen as economic assets. The families of the working children are so poor and their income is so low that they struggle a lot to survive in the society. Thus children are compelled to take up various activities including working as family labour in household enterprises, assisting their parents even taking over various household duties to enable parents to do other works, and working outside house as cheap labour in small factories, commercial and domestic establishments. Hence, it is perceived that not only do they earn their own livelihood but also that of others as well. They allow parents to spend more time on income generating activities by taking charge of households.
The neo-classical theory of child labour supply explains that the household or family supplies child labour in order to maximize its current income from the employment of child labour as a preference to the income expected from their employment in future after the completion of schooling. That is why the household supplies child labour for wage income in the labour market.

Another neo-classical formulation depicts children both as consumption and investment goods. Their formulation analyzes the determinants of fertility in terms of the relative utilities of children and other goods and services. Thus, such neo-classical approach explains that the head of the family (parents) has to take a decision whether they should want to maximize the current income or the future income of children. And in this way, they should decide whether they would send their children to school or anywhere for work.

In fact, many of the households in a developing country like India naturally decide to maximize the present income rather than the future income which involves high opportunity cost of schooling. Moreover, the life expectancy of children is another factor to decide about maximizing the present income over the future income. Therefore, the neoclassical economists explain that the households with an objective to maximize the present income, supply their children as child labour in the labour market and so there is a positive relationship between the income of the households and the supply of child labour and fertility rate.
A number of demographic studies on child labour and fertility have been made in the context of developing countries. For instance Kasarda (1971), Schultz (1990) show the positive relationship between child labour as a part of labour force and high fertility rate there. The rationale behind all such studies is the rational behavior of the parents to maximize the present income rather their future income.

The existence of occupational or sectoral dualism in terms of formal and informal sectors is responsible for another theoretical justification of child labour use. The large part of the developing economy is unorganized and so the households supply their children as child labour for paid or unpaid work. Hence, the existence of such dualistic structure of the economic level of production and distribution as observed in India, is responsible for the supply of child labour for wages in the labour market.

In India, the bulk of the child labour is unpaid, particularly those who are engaged in household activities in their homes and who support their parents and other family members. However, it may be found that urban working children’s earning vary from 0 to 300 rupees per month, depending on the nature of their work and sector of employment. The child workers are paid on piece rate basis, weekly basis, contract basis or monthly basis, depending on the nature of their work. But it should be remembered that urban child labour is cheap given the competitive nature of the urban labour market; according to a study conducted by the Madras Institute of Development Studies in 1986. This study shows that child labour in the urban sector is cheapest and easily available.
It should be remembered that dependence on child labour even in the small scale sector does not permit introduction of sophisticated technology and as a result both quality and quantity of output suffer. Further, several studies show that children that are pushed into the labour force very early in life may even face the risk of unemployment in later life. In many instances children work in hazardous condition which results in accidents or health problem that make them unfit to continue working from an early age.

The fact that the forces promoting maintenance of the phenomenon of child labour, emanates mostly from the poverty driven supply side aspect, is explained in terms of the following partial equilibrium model.

4.4 A Simple Partial Equilibrium Model for the Determination of Child Labour

Let us consider that there are two types of agents dealing with child labour i) Employers in informal sector ii) Guardians/Parents in the society who determine the supply of child labour in the market.

The guardian have two options i) either to send the children to work or ii) to send the children for getting education. They derive utility or satisfaction from their children’s education in the expectation that they might have good work opportunities when they grow up. However the guardians have to incur some cost for education which is denoted by $c_e$ per educated child. Again the guardians expect some minimum reservation wage
$w_s$ (subsistence type) without which they do not like to send their children to work. They believe that since their offspring might have to work in informal sector, the children might be coerced to work for longer hours than conditioned, might be subject to various physical or mental exploitation with little time for recreation. As a result, the real psycho-physical condition laden earning / wage of child worker may sometimes be far less than their subsistence requirement. It is this real condition laden earning that matters to the guardians as a controller of supply of child labour. Since they are uncertain about the true behaviour of an employer, the real earnings ($w$) is also treated as a random variable having a probability distribution function denoted by $F(w)$. If the real earning exceeds the real reservation earning ($w_s$) then only they supply child labour and derive utility by expecting to get the excess earning of their children. Hence their net utility depends on the value $(w - w_s)L$, when they consider $w_sL$ as the minimum requirement for their children to remain in working condition.

Thus their benefit function is written as -

$$B_G = P[w > w_s] \cdot U[(w - w_s)L] + P[w < w_s] \cdot V(L - L) - c_p(L - L) + W_A L_A$$

$B_G$ = Benefit of the guardian.

$W_A$ = Adult wage rate.

$L_A$ = Adult labour.

$L$ is the number of children in the representative family, of which $L$ is sent to labour market and the residual $(L - L)$ is sent to education sphere.

$U[(w - w_s)L]$ => Net utility from sending children to job.
\[ V(L - L) - c_e(\_L - L) ] \Rightarrow \text{Net utility from children's Education, where } V \text{ is education related utility function.} \]

Assuming, \( U' > 0, \ U'' < 0, \ V' > 0, \ V'' < 0. \)

The guardians maximize their benefit with respect to their choice of \( L. \) By first order condition of optimization

\[
\frac{\delta B_G}{\delta L} = p[w>ws] \cdot U'[\{(w - ws) L \} (w - ws) - P\{w<ws\} [V'(\_L - L) - c_e]] = 0
\]

or \[ [1 - F(ws)] U'[\{(w - ws) L \} (w - ws) - F(ws) [V'(\_L - L) - c_e]] = 0 \]

or \[ [V'(\_L - L) - c_e] / U'[\{(w - ws) L \} = [1 - F(ws)] (w - ws) / F(ws) \]  

(A)

Given \( ws, c_e \) and \( L_o, \) we can derive \( L \) as function of \( w \) in the form (say) \( L = g(w) \) ……(B)

The employer maximizes \( p \cdot q(L_d) - W \cdot L_d \) with respect to choice of \( L_d, \) where \( q(L_d) \)

stands for the production function. In informal small sector labour is the major input and little capital is required. So virtually capital can be neglected to set one primary input production function.

At optimal level we have \( p \cdot q'(L_d) = W, \) whereby we get \( L_d = q'^{-1}(w) \) ………..(C)

The equality of (B) and (C) gives the equilibrium condition in the child labour market.

If through amelioration of economic condition and nutritional awareness of guardians, the reservation wage \( ws \) rises in consonance with their belief that children need more for revival of their working strength, then \( F(ws) \) increases and \( [1 - F(ws)] \) falls. Now from
the first order condition of optimization indicated in (A) the R.H.S falls. For getting equality, the L.H.S should also fall in value. The sufficient condition for this is a fall in the value of L, given the nature of utility functions. As guardians get indication that their children are being overexploited with respect to \( w_s \) mismatching their working strength revival, they make an upward scaling of the reservation wage. If the actual \( w \) remains unchanged, the prospect of their getting the surplus of the children’s income gets weakened and they reduce the number of their working children. And in case \( w \) falls short of \( w_s \), the children in reserve completely tends to be shifted to the education sector. Thus we see that driven by the poverty factor, the guardians seek to appropriate the surplus earnings of their children, but with the shrinking of potential surplus they feel inclined to put their children in the education sphere to have the benefits of mid-day meal scheme.