



The impact of child labor on schooling outcomes in Nicaragua

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ABSTRACT

Child labor is considered a key obstacle to reaching the international commitments of Education For All. However, the empirical evidence on the effects of child labor on educational attainments is mostly limited to static measurements. This paper assesses the consequences of child labor on schooling outcomes over time by employing a three-year longitudinal household data set from Nicaragua. The potential endogeneity of past child labor and school outcomes is addressed through instrumental variables. The time a child dedicates to work is found to have harmful consequences on subsequent educational achievements, even after controlling for previous human capital accumulation and other factors. In particular, working over three hours a day is associated with school failure in the medium term. A distinction by type of work shows that time spent in market production has larger negative effects on school outcomes than time spent performing household chores.

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1. Introduction and literature review

This paper aims to identify the effect of children's work on their educational attainments in the medium term by employing a panel data set from Nicaragua. The substantial benefits derived from education are well documented in their individual and societal dimensions, but less is known about the causal relationship between child labor and schooling. Underlying many recommendations of international bodies is the assumption that children's work hinders educational achievement, and, in fact, there are several means through which children's involvement in labor activities might interfere with their human capital formation. However, the economic theory does not predict unambiguously that child labor displaces schooling and most of the empirical evidence uses a static approach.

Understanding how children's work affects their educational attainments is especially important in the context of the educational goals set by the international community for 2015. Nicaragua has made significant progress in terms of primary education coverage. As shown in Table 1, net enrolment rates in this level increased 20 percentage points between 1999 and 2007, reaching 96%, above the Latin American average. In spite of this progress, only 44% of the Nicaraguan children who start primary school reach the last grade in six years. This is the lowest figure in the region, even compared to neighboring countries of similar level of development, such as El Salvador, Guatemala and Honduras. The challenge is ever more daunting in secondary education. The net enrolment rate in this level only reaches 46% in Nicaragua – the lowest rate in the region along with Guatemala's – compared to 72% on average for Latin America.

At the same time, almost 10% of Nicaraguan children between 5 and 14 years old are involved in work (IPEC, 2008). This figure rises to 14.4% among boys. Children who are economically active are less likely to attend school than their non-working peers (60% vs. 80%).

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Table 1

Net enrolment rates in primary and secondary education and survival to last grade of primary education in selected countries of Latin America.

	Net enrolment rates, primary education (%)		Survival rate to last grade, primary education (%)	Net enrolment rates, secondary education (%)
	1999	2007	2006	2007
El Salvador	–	92	69	54
Guatemala	82	95	62	38 ^b
Honduras	–	93	81 ^a	–
Nicaragua	76	96	44	46
Latin America	93	94	84	72

Source: UNESCO (2010).

Notes: The figures for Latin America correspond to the weighted average for the net enrolments rates and the median for the survival rate.

^a Data are for the school year ending in 2005.^b Data are for the school year ending in 2006.

A considerable amount of research on child labor and schooling decisions has been carried out in the past few years.¹ However, these studies predominantly focus on the determinants of children's work and school participation rather than on the causal impact of work on schooling. Furthermore, school enrollment is not a sufficient indicator of educational achievement, or of the quality of children's school experience. Since many children combine both activities, the trade-off between work and school participation only provides us with indirect evidence of the potential consequences of child labor on human capital.

Most of the empirical studies that attempt to estimate the direct consequences of child labor on educational attainments in developing countries have employed a static framework. The findings of these studies tend to support the conclusion that children's work is detrimental for educational performance and attainments. For example, Psacharopoulos (1997) in urban Bolivia, Rosati and Rossi (2003) in Nicaragua and Pakistan, Ray and Lancaster (2005) in Belize, Cambodia, Namibia, Panama, Philippines and Portugal, Sedlacek, Duryea, Ilahi, and Sasaki (2005) in 16 Latin American countries, and Goulart and Bedi (2008) in Portugal found child labor to be significantly associated with school failure or low educational attainments. Other research focusing on cognitive achievements arrives at similar conclusions. This has been the case of Akabayashi and Psacharopoulos (1999) in Tanzania, Heady (2003) in Ghana, and Gunnarsson, Orazem, and Sánchez (2006) employing mathematics and language test scores from a sample of 3rd and 4th graders in 11 Latin American countries. On the other hand, a study by Sabia (2009) in the United States finds that much of the school-year employment effects on the academic performance of adolescents can be explained by individual heterogeneity.

Even though there is a general consensus in the literature that children's work is negatively associated with schooling outcomes, the static framework of analysis cannot assess the long-term consequences of household decisions about children's work. Empirical research employing a dynamic framework to assess the consequences of child labor on human capital's accumulation is limited, although the available studies reveal important

patterns. Boozer and Suri (2001), employ data from different months of a single year in Ghana, and use regional rainfall patterns as the identification strategy for child labor intensities. They find that an hour of work is associated with a decline in school attendance of 0.38 h. Canals-Cerdá and Ridao-Cano (2004) make use of retrospective information to evaluate the impact of childhood work experiences on subsequent educational progress in rural Bangladesh. They find a negative and significant effect of child labor occurrence on school progress, with more damage the earlier in life a person begins to work. Beegle, Dehejia, and Gatti (2005) analyze the impact of children's work on a series of schooling, health, and labor market outcomes, employing a panel data set from Vietnam and using an instrumental variables strategy, with community shocks and rice prices as instruments for child labor. They find that, at the mean level, children's work leads to 30% lower chances of being in school and a 6% decrease in educational attainment five years later. Despite these negative effects, analyses of young adult wages reveal that the returns to experience exceed the returns to schooling. Similarly, Beegle, Dehejia, Gatti, and Krutikova (2008) study the impact of child labor on education, employment choices and marital status using a longitudinal survey in Tanzania. They find that a standard deviation increase in child labor hours is linked with a reduction of about half a year of schooling and with a decrease of over 8 percentage points in the probability of completing primary school.

This paper improves on the empirical literature on the consequences of child labor on educational outcomes in a number of ways. First, it departs from most of the existing research, which has relied on static analyses, by examining outcomes over time. Second, it improves on the empirical research that employs a dynamic framework, by combining a series of features that are only partially present in these studies. Boozer and Suri (2001), for instance, measure the contemporaneous effect of hours of work on school attendance, which is not a very informative indicator of human capital stock. The empirical analyses carried out in this paper employ multiple schooling outcomes that are relevant for international commitments on education and measured in the medium term. Canals-Cerdá and Ridao-Cano (2004) employ work participation as their main explanatory variable, and use retrospective information, which may be affected by measurement error and memory bias. This paper makes use of time at work, shedding light on

¹ Edmonds (2007) provides a detailed review of the recent empirical literature.

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