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Effects of public policy on child labor: Current knowledge, gaps, and implications for program design

Ana C. Dammert [a,*], Jacobus de Hoop [b], Eric Mvukiyehe [c], Furio C. Rosati [d,e]

[a] Department of Economics and School of International Affairs, Carleton University, C-870 Loeb Bldg., 1125 Colonel By Drive, Ottawa, ON K1S 5B6, Canada
[b] UNICEF Office of Research – Innocenti, Piazza SS. Annunziata, 12, 50122 Florence, Italy
[c] Development Economics Research Group, Impact Evaluation Unit, The World Bank, 1818 H Street NW, Washington DC 20433, United States
[d] Department of Economics, University of Tor Vergata, Rome, Italy
[e] Understanding Children's Work (UCW), Via Columbia N. 2, 00133 Rome, Italy

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ABSTRACT

Household decisions about child labor are influenced by income, uncertainty, and relative returns to work and education. The complexity of the phenomenon implies that a large set of policy instruments can be used to address child labor or can affect child labor. This review of 33 impact evaluations provides a comprehensive look at pathways through which social protection (credit and microfinance, cash transfers, vouchers, food programs), and labor programs affect child labor. Despite the complexity of integrating findings across different child labor definitions, implementation contexts, and policy instruments, some patterns emerge. For example, programs that address child labor by reducing the vulnerability of the household produce the desired effect. Transfers reduced child labor in most cases. Similarly, programs that help the household cope with exposure to risk, for example, health insurance, reduce household reliance on child labor. On the other hand, policies aimed at increasing adult household members' participation in the labor market or entrepreneurial activities, can generate demand for adolescent and child work. Of course, such programs are an important component of anti-poverty strategies, but they could be modified and integrated with additional interventions to ensure that they do not produce adverse effects on child labor. While progress has been made over the past decade, there is still much to learn about the effects of public policy on the labor participation of many children in developing countries.

Contents

* Corresponding author.
E-mail addresses: ana_dammert@carleton.ca (A.C. Dammert), jdehoop@unicef.org (J. de Hoop), emvukiyehe@worldbank.org (E. Mvukiyehe), frosati@ucw-project.org (F.C. Rosati).

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1. Introduction

According to the International Labor Organization (ILO), at least 218 million children ages 5–17 were engaged in an economic activity around the world in 2016, mostly in developing countries, with over 151 million engaged in child labor (ILO, 2017). Many authors argue that child labor deserves attention because it has long-lasting consequences for the economic development of countries through its interaction with education and productivity later in life.

A common view is that most child laborers are engaged in work for pay in market activities. However, most children are engaged in agricultural activities rather than manufacturing (ILO, 2017). In addition, most children are employed by their parents on the family farm or enterprise (Edmonds, 2008). Thus, consumer boycotts and trade sanctions against products using child labor may have limited impacts on reducing child labor in developing countries. Even if a ban on child labor is successfully implemented and enforced, some children could be worse off if these children work because of poverty constraints (Basu & Van, 1998). Thus, additional policy instruments are required to tackle the root causes of child labor directly.

Social protection and labor market programs aim at reducing poverty, improving the wellbeing of the poor, and protecting households from economic shocks. Previous meta-analyses of social protection programs have captured evidence regarding the impact of these programs on human capital investment of children, in particular on schooling outcomes (see IEG 2011; Fiszbein et al., 2009; Snilstveit et al., 2016). However, very few examined the effects of these programs beyond their immediate objectives on outcomes such as child labor. This review provides a comprehensive look at pathways through which social protection (cash transfers, vouchers, food programs, insurance), and labor market programs (including microcredit) could affect child labor and presents evidence of their impact across program types.[1] Our goal is to obtain a broad understanding of how policies and programs are likely to affect child labor as well as to point out the gaps and topics that need further research potentially providing useful lessons for both policy makers and evaluators.

Child labor is a complex phenomenon, resulting from household decisions influenced by many factors including income, uncertainty, and relative returns to work and education, among others.[2] The complexity of the phenomenon implies that a large set of policy instruments can be used to address child labor or can affect child labor, even if designed to achieve other objectives. It also implies that predicting the impact of different interventions on child labor is far from straightforward. Within the household, changing circumstances can result in complex patterns of substitution in the time allocation of its members. Policy interventions, therefore, might have effects that are not easy to foresee. For example, public works schemes, microcredit programs, and business training interventions may affect the household's income generating strategy. While child labor may decrease due to the income effect, the return to children's participation in productive household activities might increase. Thus, theoretically, the overall effect of these interventions on child labor is not defined. Even education interventions may have unexpected effects and, in the limit, increase child labor. The difficult task is to find out what types of interventions are likely to reduce child labor given context-specific constraints.

For this paper, an exhaustive search of the literature was conducted on impact evaluation papers with social protection and labor market focus and applied rigorous methods to estimate the impact of the program on child labor. We selected papers that use experimental or quasi-experimental designs (propensity score matching, difference in difference, IV, and regression discontinuity design) to construct the counterfactual.[3] Overall, we found 33 impact evaluations that incorporate child labor as one of the outcomes of the intervention. This limited number points to the need to focus more on child labor outcomes in the development evaluation agenda.

Some patterns emerge, despite the complexity of integrating the findings of impact evaluations across different child labor definitions, implementation context, and policy instruments. Our review suggests that interventions based on transfers of resources (whether unconditional or conditional, in cash or in kind) generally tend to reduce child labor.[4] However, there is extensive evidence from the cash transfer literature suggesting that program impacts on child labor depend on the integration of different interventions. Combining (conditional) cash transfers with supply-side interventions such as the provision of health and education facilities and/or after school possibly increases the impact on child work. Interventions that positively affect income-generating activities may reduce the impact of conditional cash transfers on child labor by increasing the reliance on children's activities within the household. Moreover, public works schemes and programs that aim to encourage micro-entrepreneurial activity, such as microcredit schemes and business training courses (possibly in combination with the provision of capital), may increase children's work either directly in the household business or in activities within the household otherwise carried out by adults.

This review updates and extends previous literature reviews discussing the relationship between public policy on child labor. In his chapter in the Handbook of Development Economics, Edmonds (2008) focuses especially on the empirical child labor literature. His wide-ranging discussion encompasses measurement and prevalence of child labor, implications of child labor for

[1] We also refer the reader to International Labour Organization (2013) for a discussion of the effects of social protection programs on child labor.

[2] See Cigno and Rosati (2005), Edmonds (2008), Basu and Tzannatos (2003), and Fors (2012) for a review of the extensive literature on the determinants of child labor.

[3] There is some evidence that bans and regulations against child labor are likely to backfire (e.g. Jafarey & Lahiri, 2002) and theoretical models have shown that these types of policies may decrease household welfare (Basu & Van, 1998) and have negative distributional consequences (Baland & Duprez, 2009; Dessy & Pallage, 2005). This review paper focuses on interventions that could affect the child labor decision at the household level and were not applied at the national level to construct a counterfactual. Thus, macro level interventions are out of the scope of this paper.

[4] See De Hoop and Rosati (2014a) for an in-depth discussion of the impact of cash transfers on child labor, focusing on issues such as heterogeneity, spillover effects, long-run effects, and protection from shocks.