



Discussion Paper BRIEFS

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Discussion Paper 145

Child Labor and School Decisions in Urban and Rural Areas: Cross-Country Evidence

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The literature in child labor and schooling is voluminous. However, few studies simultaneously examine the various factors impacting child labor and schooling such as poverty, credit access, labor market conditions, household domestic responsibilities, school expenditures, and parental educational levels, along with community characteristics important in such decisions. One of the main aims of this paper is to examine the impact of one factor while controlling for others at the same time. It is hoped that such an approach will help shed light on the debate over the correlates of child labor.

This paper also examines urban and rural decisions separately, with the anticipation that urban-rural differentials in livelihood strategies and opportunities could be reflected in child employment and schooling decisions. Aggregating urban and rural child labor, as is commonly done in some empirical studies, could obscure the differential impact of some factors on urban and rural child schooling and work decisions.

The simultaneous examination of a list of determinants of child schooling and employment decisions will enable us to identify the factors that are more important than others while investigating their pertinence across countries and urban and rural areas within a given country.

This paper specifically asks questions such as

- Does child labor mainly arise as a response to low income, lack of access to credit, an improved labor market, or poor school quality?
- What affects the level of participation in the labor force once the decision to participate has been made?
- Do we see differences in Sub-Saharan Africa, Latin America, and Southeast Asia?
- Are urban-rural differences important?

Data

The data are from the 1990/91 Zimbabwe Income Expenditure Consumption Survey (ZICES), the 1994 Peru Living Standards Measurement Survey (PLSS), and the 1995 Nepal Living Standards Survey (NLSS). These three surveys are nationally representative, lending themselves for comparison on individual, household, and community-level characteristics. The surveys also provide information about children who work or do not work and those who attend or do not attend school, thus enabling one to model child labor and schooling decisions.

Methodology

A parent's decision to send a child to school, work, or both is a time allocation decision, as both activities could be competing for child's time. An econometric specification that explicitly takes this interdependency into account enables us to characterize the child's schooling and work decisions jointly. A bivariate probit model tests the likelihood of children working and going to school conditional on varying individual, household, and community characteristics. A bivariate probit model allows for the existence of possible correlated disturbance between two probit equations.

Results and Discussion

In all three countries and urban and rural areas alike, we find that adult educational levels are essential factors in child employment and education, with a significant contribution to reduction of child labor and improvement in the likelihood that children stay at school. In concurrence with empirical evidence from other Latin American countries, improved child labor market conditions in terms of higher wages per hour

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increases both the probability and intensity of work in urban Peru and Zimbabwe, with no appreciable effect in rural areas. Improvement in labor market conditions for adult labor leads to a lower probability of child labor and a higher probability of schooling. Bolstering adult wages may thus help curb child labor participation and increase the probability that children stay at school.

While poverty drives child work and schooling decisions in rural areas, it does not appear to significantly influence schooling and work participation rates in urban areas. In rural areas, policies such as trade sanctions or a ban on child labor thus could have an adverse effect on both the household and the children because child labor decisions are more likely in response to poverty and subsistence requirements.

Credit access, albeit measured imprecisely by access to a commercial bank, is likely to improve enrollment rates and decrease employment rates in rural areas of Nepal and Zimbabwe. Credit constraints are more likely to bind for the rural poor since their incomes are lower and more risky. Thus with credit access, the rural poor in Nepal and Zimbabwe may find it a viable option to use credit to mitigate shocks. This could allow them to send their children to school and thus help cut the transmission of poverty across generations. However, credit access does not play a similar role in urban areas of these two countries. Access to credit may have actually enabled rural Peruvian parents to overcome the entry barrier and venture into their own entrepreneurial activities in which child labor may be utilized when there are incomplete labor markets.

Household domestic responsibilities in terms of the number of young children under 5 and the likelihood that mother works away from the home have more significant impact on urban child labor and schooling decisions than on those of rural areas. This implies that the availability of alternative childcare options would be more critical for working urban mothers compared to their rural counterparts.

Summing up, the evidence from Nepal, Peru, and Zimbabwe indicates that the impact of poverty on child depends on location. While there is strong evidence that poverty drives child labor in rural areas, there is a general lack of support for poverty hypothesis in urban areas. Similarly improving credit access has greater potential for alleviating child labor and enhancing school enrollment in rural than in urban areas, particularly in Nepal and Zimbabwe. On the other hand, the availability of alternative childcare options appears to considerably decrease child labor and create conditions for higher school attendance rates in urban than in rural areas. Finally, the evidence from all three countries and both urban and rural areas indicates that the availability of good schools and efforts to bolster adult educational levels and wages will help curb the prevalence and intensity of child labor and improve the likelihood that children stay in school.

Keywords: child labor, child schooling, poverty, Nepal, Peru, Zimbabwe

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