

## Can Developing Countries Afford to Ban or Regulate Child Labor?

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An estimated 120 million children between the ages of five and fourteen are employed in the world's workplaces ranging from factories to farms, fisheries, mines and almost every type of unskilled labor done by adults. They are mostly in developing countries in Asia, Africa and Latin America.

The adverse health and developmental effects of this labor on children -- including stunted growth and impaired learning -- are well known and documented. Their work is often hazardous and exposes them to great risk and occupational disease. In some countries the child mortality just from pesticide poisoning in agriculture exceeds that of malaria, tetanus, diphtheria, and other childhood diseases combined. The denial of education to these children violates their most basic rights and also represents an enormous economic and social loss, in terms of reduced economic and citizenship potential, to the countries in which these children live and work.<sup>2</sup>

Nonetheless it is sometimes objected that developing countries are too poor to take the measures that developed countries such as the United States have instituted to eliminate child labor. For example, an issue brief on child labor from the Heritage Foundation notes that "poor countries cannot necessarily afford such measures."<sup>3</sup>

This paper will focus on this specific question -- whether poor countries today can afford to regulate or ban child labor -- by looking at the income levels of the developed countries when they began to take these measures. Although the United States is a high-income country today, it was much poorer when it first banned child labor. The same is true for the other developed countries. It is therefore reasonable to compare the real per capita income of the countries where child labor persists today to that of developed countries at the time that they regulated or outlawed this practice.

Table 1 shows the dates at which several industrialized countries moved to ban or regulate child labor, and the country's GDP per person at that time. All numbers are 1997 dollars -- that is, they represent what this income could purchase if it were spent in 1997.

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<sup>2</sup> For an overview of the problem of child labor, including the facts noted above, as well as potential solutions, see *Child Labour: Targeting the Intolerable*. Report submitted to the 86th Session (1998) of the International Labour Conference. International Labour Office, Geneva. First published 1996, available at <http://www.ilo.org/public/english/comp/child/publ/target/index.htm>

<sup>3</sup> "Issue Brief: Child Labor," The Labor Page, Heritage Foundation, [www.labor.org/workplace/childlab.html](http://www.labor.org/workplace/childlab.html).

**Table 1: GDP Per Capita of Industrialized Countries When They Passed Laws Banning or Regulating Child Labor**

Country	Legislation	Date <sup>4</sup>	GDP per capita <sup>5</sup>
USA	Massachusetts Law	1842	\$1,955 - \$2,095
	Pennsylvania Law	1848	
	Alabama, North and South Carolina Laws	1903	\$5,369
	Fair Labor Standards Act (FLSA)	1938	\$7,229
BELGIUM	First Child Labor Law	1886	\$3,637
DENMARK	First Child Labor Law	1873	\$2,332
FRANCE	First Child Labor Law	1841	\$1,789
	Second ('Effective') Child Labor Law	1874	\$2,518
GERMANY	First Prussian Child Labor Law	1839	\$1,567
	Prussian Statute of 1853	1853	\$1,789
	German Industrial Code of 1891	1891	\$2,956
GREAT BRITAIN	First Factory Act	1802	\$1,635

<sup>4</sup> Sandy Hobbs, *Child labor: a World History Companion*, 1999; Leonard Horner, *On the Employment of Children in Factories*, Irish University Press, Shannon, Ireland, 1840; Clark Nardinelli, *Child Labor and the Industrial Revolution*, Indiana University Press, 1990.

<sup>5</sup> Given in 1990 (Geary-Khamis) Dollars in Angus Maddison, "Monitoring the World Economy: 1820-1992," OECD, Paris, 1996. When GDP data for the year were not available, it was estimated on the basis of available years. Converted to 1997 dollars (for comparison below) using "GDP implicit price deflator" in *Economic Report of the President*, January 2001, Table B-3

	1833 Act	1833	\$2,284
	Workshop Reg. Act	1867	\$3,147
	1874 Act	1874	\$4,081
	1891 Act	1891	\$4,791
ITALY	1873 Law	1873	\$1,757
JAPAN	First Factory Law Implemented	1916	\$1,848

As an indication of countries where child labor might be an issue, Table 2 shows the major sources of imports of T-shirts into the United States in 1999<sup>6</sup>:

**US imports of T-shirts [HTS8 61091000], by country**

Source	1999	
	\$1000s	Percent of total
All sources	\$2,737,792.0	100.0%
Mexico	\$832,579.7	30.4%
Honduras	\$479,452.0	17.5%
El Salvador	\$261,368.6	9.5%
Dominican Republic	\$196,739.2	7.2%
Haiti	\$123,945.9	4.5%
Canada	\$118,484.8	4.3%
Jamaica	\$111,213.5	4.1%
Hong Kong	\$75,042.6	2.7%
Turkey	\$62,373.3	2.3%
Guatemala	\$51,421.7	1.9%
Peru	\$41,520.6	1.5%
China	\$31,551.1	1.2%
Israel	\$31,247.9	1.1%

For the developing countries in Table 2, their per capita GDP in 1997 is shown in Table 3. In order to compare these numbers with those in Table 1, they are expressed in 1990 dollars.

Source	1999		Per capita GDP, 1997 <sup>7</sup>
	Imports -- \$1000s	Percent of total	
Mexico	\$832,579.70	30.40%	\$ 8,370
Honduras	\$479,452.00	17.5%	\$ 2,220
El Salvador	\$261,368.60	9.5%	\$ 2,880
Dominican Republic	\$196,739.20	7.2%	\$ 4,820

<sup>6</sup> USITC Trade Database, <http://dataweb.usitc.gov>.

<sup>7</sup> Real GDP per capita, purchasing power parity, 1997 US\$, from UNDP *Human Development Report 1999*, p.134.

Haiti	\$123,945.90	4.5%	\$1,270
Jamaica	\$111,213.50	4.1%	\$ 3,440
Hong Kong	\$75,042.60	2.7%	\$24,282 (1996)
Turkey	\$62,373.30	2.3%	\$ 6,350
Guatemala	\$51,421.70	1.9%	\$ 4,100
Peru	\$41,520.60	1.5%	\$ 4,680
China	\$31,551.10	1.2%	\$ 3,130

As can be readily seen by comparison with Table 1, with the exception of Haiti, all of the developing countries in this list have higher per capita income than most of today's high income countries -- including the US, Britain, France, Germany, Switzerland, Japan, and Italy -- had when they first began to regulate or ban child labor. (It is worth noting that the above figures for per capita income in developing countries, the latest available, are from 1997 -- current figures would show significantly higher income levels).

### **Conclusion**

The evidence presented here suggests that a general claim that developing countries today are too poor to regulate or ban child labor is without economic foundation.

Indeed, to the extent that production in these countries is supported by external demand in industrialized countries such as the United States, developing countries could be in a better position to regulate or ban child labor today than industrialized countries were in the past, if the high-income, importing countries were to support such a policy.

When it is suggested that poor countries cannot "afford" to address the problem of child labor, this is sometimes based on a very different argument than the one addressed in this paper. In other words, it is possible that developing countries that acted to eliminate child labor might have put themselves at a competitive disadvantage in certain international markets, and therefore "price themselves out of the market."

While this may be true, it simply underscores the need for regulation to eliminate these abuses. The same kind of brutal competition -- in the domestic rather than the international economy -- was involved in the employment of child labor in British and American factories in the 19<sup>th</sup> and early 20<sup>th</sup> centuries. Employers who would hire only adults would find themselves at a serious competitive disadvantage -- hence the need for national legislation that applied to all firms.

Since there is no analogous world government with the power to enforce such rules internationally, it would be appropriate for major importing countries such as the United States to insist on the elimination of such abuses as a condition for market access. As can be seen from the above data, it is difficult to argue that most of today's developing countries whose exports are based on child labor cannot afford to eliminate these abuses.

Rather than simply removing a source of income from poor families in low-income countries, we would expect a ban on child labor to change the structure of the labor market, with increasing wages for adult laborers. This is a reasonable prediction not only from economic theory (the removal of children from the labor supply puts upward pressure on adult wages), but also from the history of today's high-income countries after they banned child labor. Furthermore, such legislative bans also eventually change the customs of a society, making it socially unacceptable to exploit children.

## **Appendix: Child Labor Laws in Industrialized Countries<sup>8</sup>**

### Belgium

#### 1886 Child Labor Law

- prohibits children under 12 year of age to work in industrial and nighttime conditions under certain time restrictions

### Denmark

#### 1872 Child Labor Law

- first passage of child labor legislation

### France

#### 1841

- First child labor law
- poorly enforced

#### Act of 1874

- establishes minimum age of 12 for employment in mines and industries
- educational provisions included
- establishes inspectorate to enforce the law

### Germany/Prussia

#### Prussian law of 1839

- forbids employment of children under nine in mines and factories
- forbids employment of illiterate children under sixteen

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<sup>8</sup> See Hobbs, Sandy et al., Child Labor : A World History Companion, 1999; and Nardinelli, Clark, Child Labor and the Industrial Revolution, Indiana University Press: 1990.

### Statue of 1853

- establishes twelve as the minimum age of employment in industry
- children under fourteen limited to 6 hours of work per day, and required 3 hours of schooling per day

### Industrial Code of 1891

(enacted in “the North German Confederation”)

- law and enforcement of pre-existing codes codified
- minimum age raised to thirteen years
- children over 13 can only work with primary school education

### Great Britain

#### Factory Act of 1802

- passed at a time when the cotton textile industry was relatively small
- applies only to apprentices
- limits hours and employer’s sanitary practices
- rarely enforced

#### Factory Act of 1833

- prohibits employment of children under nine in textile mills
- limits hours for children nine through twelve
- enforceable through a paid inspectorate

#### Mines Act of 1842

- prohibits females from doing underground work

#### Factory Act of 1867 and Workshops Regulation Act of 1867

- combined to place virtually all factories and workshops under child labor laws

#### 1874 Act

raises age of employment from 8 to 10 years

#### 1891 Act

- introduces tighter regulations on safety,
- raises minimum age that children could work from 10 to 11 years

### Italy

## Law of 1873

- forbids the employment of children in “wandering” occupations

## Japan

### First Factory Law of 1911, Implemented in 1916

- minimum age of employment set at 12 years in manufacturing establishments
- children under 16 years limited to twelve hours per day
- provision made for factory inspectors to enforce law

## Switzerland

- Canton of Argovia Child Labor Law—before 1840
- forbids children under 14 years of age to be employed in factories
- requires mill-owners to educate children that they employ

### Canton of Zurich Child Labor Law—before 1840

- children under ten years of age forbidden to work in cotton spinning factories
- limited to 12 hours per day
- half-day a week education is compulsory

[Source: Horner, Leonard, On the Employment of Children in Factories, Irish University Press: Shannon, Ireland, 1840.]

## United States

### Massachusetts law of 1842

- limited working day for children under twelve to ten hours

### Pennsylvania law of 1848

- sets a minimum age of twelve for employment in textile factories

[By 1899, twenty-eight states had some kind of child labor legislation]

## 1903

- Alabama and the Carolinas set a minimum age of twelve years in any manufacturing establishment

### Fair Labor Standards Act of 1938

- first success at federal child labor regulations
- outlaws employment of children under sixteen, and limited employment of children under eighteen
- includes minimum wage and maximum-hours legislation for adults