



Curbing Child Labour is the Da Vinci Code of Economic Development

Rimjhim Singh

Assistant Professor of Economics, Noida College of Physical Education, Noida INDIA

Email: therimjhimsingh1@gmail.com

ABSTRACT: The popular belief that economic growth alone holds the key to alleviating perennial social issues such as poverty, unemployment, inequality etc is questionable as the wealth remains concentrated in the hands of the privileged rich class everywhere and little benefit trickles down to the poor. So there is an urgent need to develop human capital and physical capital with focus on job creation and curbing child labour. This would break open the vicious trap of poverty and illiteracy.

KEYWORDS: Economic growth, poverty, unemployment, human capital, inequality, child labour

1. INTRODUCTION

“All animals are equal, but some animals are more equal than others.”

– George Orwell, *Animal Farm* ^[1]

The central irony of *Animal Farm* proves that the benefits of a revolution may be reaped by only a few powerful and influential individuals and not the down at heel. The failure of animalism proves that intended objectives are seldom achieved. Economic growth is no exception ^[1].

“Economic growth without social progress lets the great majority of people remain in poverty, while the privileged few reap the benefits of rising abundance.”

– John F. Kennedy ^[2]

The popular idea that economic growth is the panacea that would heal the wounds of poverty and unemployment and ensure the well-being of the masses through an upsurge in literacy rate and health care, stands on a slippery ground and seems to be far from perfect now.

An infinitely growing economic cake: Really?

Perhaps India is the supreme example with sky rocketing growth rates around 9 % but typically low Human Development Index. India ranks 130 on human development ^[3] but ranks 39 in growth rate of real GDP ^[4]. A polar opposite example is of Norway which tops the

list of countries in Human Development but sits at 142 as far as growth rates are concerned. This extreme example really turns topsy-turvy the world of policymakers.

“Trickle-down theory - the less than elegant metaphor that if one feeds the horse enough oats, some will pass through to the road for the sparrows.”

– John Kenneth Galbraith ^[5]

It is wontedly believed that the benefits of growth would gradually trickle down to the poor. A report by Oxfam claims that the wealth of the richest one percent people of the world is 65 times of the total wealth of the poorest half of the population of the world ^[6]. Adam Smith, the Father of Economics claims that “no society can be flourishing and happy of which the far greater part of members are poor and miserable” ^[7]. The improvement in the conditions of people who belong to lower ranks cannot be inconvenient to a society as workmen, laborers and servants form a larger part of any society ^[7]. The rich are benefiting disproportionately from the high growth rates resulting in a further increase in inequality and poverty.

Hence, there is an exigent need for change.

Make way for a revolution!

“A good general not only sees the way to victory; he also knows when victory is impossible.”

–Polybius ^[8]

So with economic growth as the sole strategy it is almost impossible to win the battle against underdevelopment.

“Two roads diverged in a yellow wood and I took the one less traveled by, and that has made all the difference”

—Robert Frost, *The Road Not Taken* [9]

So, the winning strategy is to take the less trodden road, reversing the traditionally upheld causality that growth leads to development. Imagine a two-stage economic model in which in stage one a country develops human capital and in the process in stage two solves pressing problems of unemployment, poor infrastructure, poverty trap and illiteracy. All this would act like chemical enzymes thereby initiating a chemical reaction which will solve the problem of underdevelopment and consequently lead to economic growth.

2. HUMAN CAPITAL DEVELOPMENT

The young labor force of any country determines the future development trajectory of that nation. Illiterate youth cannot create a bright nation. Benjamin Franklin highlighted the paramount role of education in terms of future benefits when he said, “An investment in knowledge pays the best interest” [10].

A colossal social evil which hinders development is child labour. UNICEF claims that about 150 million children are engaged in child labour all over the world. The figures are the largest for Sub-Saharan Africa. In South Asia 12 % of the children aged 5-14 are performing child labour which is hazardous to their health [11].

In India, the Child Labour (Prohibition and Regulation) Act, 1986 prohibits children below the age of 14 years to be employed in hazardous industries. In October 2006, domestic sector and roadside eateries and in September 2008 some more industries were added to the list [12]. But even after this outright banning there has not been much abatement in child labour in India. The Achilles’ heel in this labyrinthine situation is that banning child labour is a Command-and-Control Policy which has its own limitations. Delving in the economics of child labour one witnesses how the poor households solve their lifetime utility maximization problem. The instantaneous benefit of child labor is the current income earned by a child whereas the cost is the future income foregone which maybe there if the child educated himself and joined some better job. Now the decision of the household depends on the future discount factor’s value which highlights its risk averseness. And so zero amount of child labor turns out to be economically inefficient. For a typical household in a developing country the benefit foregone is not that substantial because even if a child educated himself to a secondary level the income earned is not that capacious. Here comes the role of the policymakers who need to carry out a root canal treatment of this quandary through the most potent tool which economists have, that is, economic incentives. Remove the need and the problem vanishes. The major cause is poverty. A

suggestion is to provide income generating assets as well as employment to the poor. The World Bank emphasizes that physical assets like land and housing facilitate households avert risk because land is used for enterprise and productive uses and property could be used for generating rents, as a collateral or for generating social capital. Not owning land severely reduces the probability of obtaining credit and aggrandizes the probability of being underprivileged. Access to basic services like clean water, telephones, electricity etc. enhances welfare. Even access to financial assets like loans helps households to smoothen their consumption trajectory [13]. Henceforth, access to income generating assets seems to be highly negatively correlated with poverty. So for incentivizing poor households not to send their children to work there is a need to provide them with these income generating assets so that they become self-empowered. Claudia Goldin aptly points out, “The higher the father’s wage, the lower the probability of the child participating in the labor force” [14].

In addition to providing the above-mentioned assets the policymakers in urban areas could provide relevant amounts of capital so that the poor could invest in start-ups. New agencies could be established which would provide work to poor women like working as a domestic help etc. Some poor household members can be allotted public transports like auto rickshaws, E-rickshaws or cycle rickshaws.

3. UNEMPLOYMENT DECODED!

Once this initial goal is achieved, the accomplishment of stage 1 involves the development of infrastructure and education. The newer rising demand for skilled labor force would solve the problem of educated unemployment. The OECD data claims that as far as people with Tertiary level of education are concerned the unemployment figures for Greece, Spain and Portugal are 19.4%, 14.9% and 11.7% [15]. So the proposed strategy would focus also on providing employment to educated youth. In countries like India, students have very meager incentives to enter into higher degree programmes like PhDs because of poor employment opportunities thereafter. But if indeed the model works and the demand for educated youth increases then not only unemployment can be reduced but also there will be an upsurge in the amount of research and innovation activities which would further spur development.

Not only this but the Markov chain initiated can even solve the problem of unemployment of not highly educated economic agents. Unemployment in countries like Afghanistan, Djibouti, Kenya is as high as 35.1%, 60% and 42% [16]. As the demand for schooling facilities increases, more infrastructure would be built which would provide employment to millions of people.

4. POLYMERIZATION INITIATED!

Polymerization in polymer chemistry is a process where monomers chemically combine to form polymers which

are large network or chain like molecules [17]. Metaphorically, if this strategy is developed via implementing the two stages, then this would lead to Human Capital formation which would initiate polymerization, that is, solve problems of underdevelopment like unemployment, illiteracy, poverty, infrastructural bottlenecks etc. According to Mincer, the contribution of human capital to growth is larger than that of physical capital. Larger the contribution of physical assets, larger the human capital formation. Human capital increases the marginal productivity of physical capital, leading to its further accumulation and thereby leading to growth. Also physical capital growth increases the productivity of human capital thereby increasing its demand [18]. Hence, in the strategy proposed both these conditions are satisfied because it would presumably lead to both human capital development as well as infrastructural development. In contrast to Malthus's views, even high population rate also is not a problem as all of it is converted into a skilled labor force with the development of human capital, leading to growth.

Eureka! The causality becomes development leading to growth! And with all the evils of economic growth overcome!

5. CHALLENGES AHEAD

The success of the proposed strategy is contingent on the assiduous efforts of the policy makers. Stage 1 of the model involves a fall in the efficient level of child labor by providing income generating assets to the poor. This is a challenging and a laborious task involving detailed research on the impeccable amount and type of assets to be provided along with the efficient allocation of resources involving minimum wastage. For instance, women could be provided with the raw materials for handicrafts production or sewing machines.

Secondly, just providing run-of-the-mill education to the underprivileged children would not create wonders. Hence, for the creation of a phenomenal human capital a high quality of professional knowledge is essential. One of the grim realities of the education system in most parts of the world is that it often promotes rote learning and does not focus on building the knowledge base of the students. Most of the college pass-outs do not possess the professional skills which would guarantee them employment. Hence, school and college curriculum must also focus on skill development training. The assessment pattern could include more of power point presentations which would enhance the speaking as well as the technical skills of students. Disseminating knowledge of special skills to specific graduates like working knowledge of analytics, software packages like SAS, R, SPSS, E-Views, STATA etc. for Economics graduates, should be complemented with research training to students who want to further pursue academics. This should be strongly supported with good infrastructure so as to overcome the infrastructural bottlenecks and dearth of well trained teachers.

The above condition needs to be fulfilled because it acts as a necessary condition for employment generation.

For the reduction of frictional unemployment, the government could launch employment providing agencies wherein the unemployed could register themselves and as soon as there is a vacancy the appropriate candidate could be immediately contacted. This plan could also work in the remote villages where there are no internet facilities to use websites like Naukari.com or Monster.com etc. Such agencies should be located throughout the world even in the remotest of places. Magnanimously launching more such agencies would in itself grant employment to millions of people!

6. CONCLUDING REMARKS

Economic growth is indeed not the deciphering key to the Da Vinci Code for reducing poverty, illiteracy, inequality and poor standards of living etc. In terms of the game theory framework, just focusing on economic growth traps the poor in a Prisoner's Dilemma framework with the Pareto inferior outcome in hand.

Let me draw an analogy between a tree and a country. A neonate plant must initially be nourished with essentials like water, manure, sunlight and air. Only when these essentials for **development** are provided the plant can evolve and **grow** into a magnificent tree. Equivalently, the policymakers must concentrate on combating the devils of underdevelopment. Consequently, this dynamic process would fetch higher growth rates. The proposed strategy relies on the above philosophy.

Although striding on this path is full of challenges, a meticulous approach by the policymakers as well as the citizens of the world will produce unprecedented results.

"If you can dream it, you can do it."

-Walt Disney [19]

REFERENCES

1. <http://dictionary.reference.com/browse/all-animals-are-equal--but-some-animals-are-more-equal-than-others>
2. <http://izquotes.com/quote/345799>
3. https://en.wikipedia.org/wiki/List_of_countries_by_Human_Development_Index
4. https://en.wikipedia.org/wiki/List_of_countries_by_real_GDP_growth_rate
5. <http://www.goodreads.com/quotes/103984-trickle-down-theory---the-less-than-elegant-metaphor-that-if>
6. "Working for the Few", 178 Oxfam Briefing Paper, January 20, 2014, www.oxfam.org
7. Smith, A. *The Wealth of Nations*, reprint March 2003: New York.
8. <http://www.wisdomquotes.com/quote/polybius.html>
9. <http://www.bartleby.com/119/1.html>
10. <https://www.dalton-education.com/content/view/242/170/>

11. <http://data.unicef.org/child-protection/child-labour.html>
12. <https://www.ilo.org/legacy/english/regions/asro/newdelhi/ipec/responses/india/national.htm>
13. https://books.google.co.in/books?id=S7VnbC1tzj8C&pg=PA92&lpg=PA92&dq=income+generating+physical+assets+for+poor&source=bl&ots=bpRHQU7hN&sig=h_iYaDkCvBnMPseRCVzgnIJoYDE&hl=en&sa=X&ved=0ahUKEwiow4Pm1qPKAhWKbRQKHaaMCpYQ6AEIOjAG#v=onepage&q=income%20generating%20physical%20assets%20for%20poor&f=false
14. Goldin, C. "Household and Market Production of Families in a Late Nineteenth Century American Town." *Explorations in Economic History*, April 1979, 16(2), pp. 111-31.
15. <https://data.oecd.org/unemp/unemployment-rates-by-education-level.htm>
16. https://en.wikipedia.org/wiki/List_of_countries_by_unemployment_rate
17. <http://www.britannica.com/science/polymerization>
18. Mincer, J., "Human Capital and Economic Growth", Working Paper No. 803, NBER, Massachusetts, Cambridge.
19. <http://www.brainyquote.com/quotes/quotes/w/waltdisney130027.html>