Child labor around the world

In most of the industrialized nations, child labor is outlawed or at least severely restricted and tightly regulated. In many developing countries, by contrast, it remains a way of life, especially among the poor. As a result, efforts to standardize child labor laws and limit employment opportunities for children are ongoing. The U.S. Congress, for example, has several times considered legislation to prohibit imports of products resulting from child labor, and advocacy groups have organized consumer boycotts to penalize companies that employ children. In 2002, the U.S. Congress passed legislation ordering the Department of Labor's Bureau of International Labor Affairs to study the relationship between education and military spending in countries where child labor is known to be especially prevalent.

In a new study published in the *Journal of Economic Perspectives*, economists Eric V. Edmonds and Nina Pavcnik attempt to answer the question, How much do children actually work around the world and under what conditions? They weigh the existing evidence on a variety of relevant issues affecting child labor. In general, they find that most children who work do so at home, helping with their family's farm or business, most often in rural settings, and largely as a result of poverty. Those working in abhorrent conditions such as prostitution or as soldiers thankfully represent a relatively small minority, and while such situations demand immediate remedies, Edmonds and Pavcnik argue that the most effective cure for child labor is increased development and education.

Although data availability is limited in the poorest countries, where child labor is most prevalent, the authors examine existing data collected in surveys by such organizations as UNICEF, the World Bank, and the International Labor Organization. They find that, in low-income countries, most children who work are employed by their parents, rather than in manufacturing establishments. Less than 3 percent of children aged 5 to 14, for example, work outside their homes, and many more work in rural settings than in urban environments (UNICEF). Working children are most likely to be employed in agriculture, and the domestic service industry is the second-largest employer of children. Although many children work and go to school, the number of hours worked often conflicts with the children's education. Edmonds and Pavcnik conclude their study by assessing the policy implications of child labor and efforts to reduce or eliminate it. They argue that most parents in the developing world do not want their children to work, citing evidence that children work less when family income increases. Thus, the most effective way to reduce the incidence of child labor is to implement policies aimed at increasing wealth and overall development in the poorer countries, where it is most common.

Population, employment, and unemployment

"The 'employment growth = population growth' estimation has typically provided a reasonable lower bound target for policymakers," writes Julie L. Hotchkiss in a Federal Reserve Bank of Atlanta *Economic Review* article on job creation. She notes, quite correctly, that if the policy goal is to keep the unemployment rate from rising, this target formulation is only necessary if the labor force participation rate is constant. According to her algebra, the necessary condition for a stable unemployment rate is that the percent change in the labor force must be equaled by the percent change in the number of people employed.

With that in mind, Hotchkiss explores the recent decline in the aggregate labor force participation rate. She writes that the labor force participation rate is generally a function of three factors: the age distribution of the population, the population's individual preferences, and the economic prospects they see in the labor market. Although she acknowledges that similar ups and downs in labor force participation have occurred in the past, she notes that "the recent decline, and even its acceleration, began well before the 2001 recession, suggesting other, noncyclical,contributors (such as changes in preferences) to the decline."

If the policy goal is not simply to keep unemployment in check, but to produce a desired growth in overall economic output, the target might have to be raised above the "employment growth = labor force growth" target. According to Hotchkiss and figures she cites from the Organization for Economic Growth and Development, differences in economic output growth in the industrialized countries is generally explained by differences in labor utilization.

In a somewhat related article in the April issue of *The Regional Economist*, a publication of the Federal Reserve Bank of St. Louis, William Poole and David C. Wheelock explore what they characterize as the "real" population problem—too few people working relative to the number of people retired from the labor force. They conclude, "Policymakers will face difficult decisions because fiscal balance can be restored in such [social security] programs only by reducing promised benefits, raising taxes, or some combination of the two. Two of the more palatable and often discussed options are the removal of incentives that encourage early retirement and a gradual increase in the age of eligibility for retirement benefits to reflect increased life expectancy." □