

Lecture 8: Education and child labor (1)

Dave Donaldson and Esther Duflo

14.73 Challenges of World Poverty

Educating Yaparak: The themes

- ▶ The **demand** for education: Will parents send their children to school? What constrains them?
 - ▶ The need for child labor
 - ▶ “No economic resources”
 - ▶ Is it useful?
 - ▶ If it is useful, do parents know/believe it’s useful? (Yaparak’s father)
 - ▶ Social norms: appropriate attire, language of instruction, ‘Turkification’, “things may happen to girls while they are away”
 - ▶ Not discussed in film, but: Tuition fees? Uniforms? Free meals (Sachs diary)?

Educating Yaparak: The themes

- ▶ The **supply** of education:
 - ▶ No schools in remote villages—poor infrastructure to get to school.
 - ▶ Shortage of well-trained teachers
 - ▶ Class sizes high
 - ▶ Content inappropriate (not on “practical subjects”)?

Educating Yaparak: The themes

- ▶ Education for what?
 - ▶ To get a job, or a higher wage: “returns to education”: will there be jobs for educated girls? Can everyone be a doctor?
 - ▶ To improve your life in non-monetary dimensions (“socialized”, “family planning knowledge”, “knowing how to behave when you go somewhere”, “self-confidence, especially with respect to men”)
 - ▶ To learn things that you can teach others (“come back and tell us things that are very useful”)
 - ▶ To change a culture: kurds vs Turkey; attire; “society’s mental state, being more agreeable”

A Parent's Decision

- ▶ A parent will compare the (perceived) benefits of sending kids to school with the costs:
- ▶ Benefits:
 - ▶ Higher wages in the future
 - ▶ Non-monetary private benefits
- ▶ Costs:
 - ▶ Foregone child labor income (explicit wages or implicit wages from help at home) now
 - ▶ Actual costs of school (tuition fees, etc)
 - ▶ Don't get to see the kids
- ▶ So low child attendance (equivalently: high child labor) is the result of benefits being low and/or costs being high

Why Make Education Compulsory?

- ▶ Turkey is making education *compulsory*. Countries are banning child labor.
- ▶ Why would a society *want* to make education compulsory, or ban child labor? Why not just let parents decide what is best? Isn't education an investment? Isn't child labor a disinvestment?
 - ▶ Education as an investment: you (the parents) pay the cost today; and you get the returns later, when the child earns more. Where can this go wrong?
 - ▶ Social versus private returns
 - ▶ Putting society on the right track

Education as an investment: where can it go wrong?

- ▶ “You will get returns.”
 - ▶ Do you know this?
 - ▶ Do you care? Take a purely selfish parent, why would they care if the child makes more money? May this vary across girls/boys?
 - ▶ What about a parent who is partly selfish and partly altruistic (towards the kid)? Why might this parent underinvest in education?
 - ▶ The child is not able to pay for their own education: society, if it cares equally about present and future generation, may want more education for children than parents want.
- ▶ “These returns will come later, rather than today.”
 - ▶ Maybe parents are very impatient: they want or need the money *now*.
 - ▶ But why would society as a whole be less impatient than the parents that compose it?

Social versus private returns: Externalities

- ▶ There may be *externalities* that mean the total effect of education on society (the ‘social returns to education’) may be more (or even less) than the sum of all the individual effects of education (the ‘individual returns to education’) on society’s members.
- ▶ If parents are anything but perfectly altruistic towards other members of society, they will not “internalize these externalities”. They will therefore make bad decisions from the perspective of society.
- ▶ For example, when you get in a car, do you even stop to think about all of the times your presence on the road acts to slow down other people? We would all drive less if we perfectly internalized these (negative) externalities.
- ▶ Or, when you decided to come to the lecture today, did you think about the positive externality effect you’d have on everyone else here?

Social versus private returns: Education

- ▶ Examples of positive externalities in education:
 - ▶ A significant part of learning in the classroom may be learning from other students (“peer effects”).
 - ▶ An educated worker may help others: everybody is more productive. (Caveat: no evidence that such externality actually exists...).
 - ▶ An educated child may change society: may vote more/better, may monitor politicians. This is harder to quantify.
 - ▶ Education may change preferences: Suppose educated girls have smaller, healthier families. This may not be valued by parents, but might be valued by society.
- ▶ But there may also be negative externalities in education:
 - ▶ Signalling: Do grades matter because they tell an employer you will be productive, or because they serve to rank students?
 - ▶ There can only be so many doctors.
 - ▶ Schools (and teachers, etc) may be in fixed supply.

Putting society on the right track: The Basu Model (I)

- ▶ Kaushik Basu's child labor model (NB: this is not discussed in his chapter on the reading list).
 - ▶ When you are very poor, you need the income from your children's work (to feed the family)
 - ▶ Therefore if wages are low, you need to send your children to work.
 - ▶ But children working brings the adult wage down!
 - ▶ So in a society where all children work, parents *must* send their children to work.
- ▶ This is a 'multiple equilibrium' (or 'poverty trap') model. If all parents sent their kids to school, no one would want their kid to work; but if all parents sent their kids to work, no one would send their kid to school.
- ▶ Both outcomes (everyone at school, or everyone at work) are equilibria—if society is at either equilibrium, no individual parent would have any *private* incentive to do something different.

Putting society on the right track: The Basu Model (II)

- ▶ What is the effect of a ban on child labor in this set-up?
 - ▶ If child labor is banned: wages *may* go up; the income of working adult *may* be sufficient; therefore children *may* not need to work. (All of these statements will depend on the details.)
 - ▶ If this happens, the ban helps put society on the 'right' track.
- ▶ In general, when you have multiple equilibria, there is a policy intervention that can 'bump' society to the good equilibrium. It is usually a big intervention, often called a 'big push'.
- ▶ NB: If we are not in the kind of situation that creates multiple equilibria (ie, we are in the situations described in Basu's chapter of *Understanding Poverty*), bans on child labor may be impossible to enforce (because parents really need the income).

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Fall 2009

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