

The Macroeconomics of Child Labor Regulation

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We develop a positive theory of the adoption of child labor laws. Workers who compete with children in the labor market support a child labor ban, unless their own working children provide a large fraction of family income. Fertility decisions lock agents into specific political preferences, and multiple steady states can arise. The introduction of child labor laws can be triggered by skill-biased technological change, which induces parents to choose smaller families. The theory can account for the observation that, in Britain, regulations were first introduced after a period of rising wage inequality, and coincided with rapid fertility decline. (JEL J13, J82, K31, O10)

The aim of this paper is to develop a positive theory of child labor regulations (CLR). In the current political debate, the need to regulate child labor is often taken for granted: child labor is portrayed as an evil that ought to be eradicated for humanitarian reasons. From a historical perspective, however, this view of child labor is of a relatively recent origin. In Western countries, until the nineteenth century most children worked, and working was generally considered to be beneficial for children. Much more feared than child labor was its opposite, idleness of children, which was thought to lead to disorder, crime, and lack of preparation for a

productive working life.¹ Opposition to child labor and, ultimately, child labor laws arose only after the rise of the factory system. CLR were first introduced in Britain in the nineteenth century, and have by now been put into place in all industrialized countries. In contrast, in many developing countries child labor continues to be widespread, CLR are either lacking or weakly enforced, and public support for the introduction of stringent CLR is low.

These observations raise the question of why in some countries attitudes toward child labor shifted over time and led to the adoption of CLR, whereas in other countries child labor continues to be the accepted norm. In this paper, we argue that a society's views of child labor depend on economic incentives. In our theory, the main motive that leads some people to support CLR is the drive to limit competition: unskilled workers compete with children in the labor market, and therefore stand to gain from higher wages if child labor is restricted. In this sense, we regard CLR as similar to other forms of labor regulation. There is, however, a key feature that distinguishes CLR from labor restrictions aimed at, say, union outsiders or foreign workers: in the case of child labor, the potential competition comes at least partly from

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¹ Similar arguments were still to be heard in the twentieth century. Opponents of a child labor bill discussed by the state legislature of Georgia in 1900 argued that the "danger to the child was not in work, but in idleness which led to vice and crime" (Elizabeth H. Davidson, 1939, p. 77). The bill was defeated.