Perverse effects of a ban on child labour in an overlapping generations model

Kouki Sugawara [*], Atsue Mizushima [†], Koichi Futagami [‡]

Abstract

Despite the International Program on the Elimination of Child Labour, child labour is particularly common in developing countries. Why the Program does not achieve the expected outcome? To address this question, we introduce the detection probability of the ban on child labour, which depends on government expenditure and set up a model by using a two-period overlapping generations model. By analyzing this revised model, we show that whether the ban on child labour has a suppression effect or not depends on the level of human capital and that the perverse effect increases with the degree of governmental corruption. We also demonstrate the human capital dynamics in the model and show the multiple equilibria: one is the poverty trap, which has a higher incidence of child labour and a low level of human capital; the other is the equilibrium, which has a lower level of child labour and a high level of human capital.

JEL classification: I38; J13; O17

Keywords: ban on child labour, detection probability, human capital

[*]Graduate School of Economics, Osaka university, 1-7 Machikaneyama, Toyonaka 560-0043, Japan, E-mail: dg025sk@mail2.econ.osaka-u.ac.jp

[†]Institute of Economic Research, Kyoto University, Yoshida hon-machi, Sakyo-ku, Kyoto 606-8501, JAPAN, E-mail: mizushima@kier.kyoto-u.ac.jp

[‡]Faculty of Economics, Osaka university, 1-7 Machikaneyama, Toyonaka 560-0043, Japan, E-mail: futagami@econ.osaka-u.ac.jp