

WHAT ARE THE ECONOMIC CONSEQUENCES OF CHILD LABOUR?

INCOME INEQUALITY:

In the short run, hiring unskilled children as human capital provides poverty-stricken families with income to deal with their basic necessities; temporarily reducing income inequality by balancing the distribution of income through raising that of the poorest at the bottom. However, in the long run, children being exploited merely leads to a rise in the no. of unskilled labour available that employers can use to their advantage by depressing the cost of labour for adults. This begins a never-ending loop because as the adults' wage rate falls, low income families are able to invest less in education, thus reducing the chances that their children will find well-paying jobs too. This ultimately indicates that without a decrease in the incidences of child labour, the distribution of income will always be uneven to a detrimental extent to the economy.

TECHNOLOGY:

Long run economic growth in a country is highly dependent upon technological advances in industries but employers are inevitably less likely to invest their time and money into this if the availability of cheap, unskilled labour remains as high as globally, over 218 million children between the ages of 5 and 17 in employment. Technology has the potential to compel the replacement of children with machines and in this sense, upgrading production processes not only benefits the economy but also employees who may face high costs initially but will have established an efficient method of production in the long run.

EMPIRICAL EVIDENCE SUPPORT:

Anker et al. (1998) found that the use of child labour only allows approximately a meagre 5% saving in production costs.

This further supports how most companies show ignorance towards the fact that improving skill-intensive technology and automation can essentially make child labour redundant. This in turn could cause a substantial decline in current economic growth by hindering an economy from maximising its productive potential.

HOUSEHOLD INCOME:

The rationality of parents to be sending their kids to work rather than to be educated is often justified with the limited likelihood of their survival if they don't receive the additional income to live on through their children. Although, even considering the temporary benefits of child labour to families on a micro level, many fail to comprehend the cycle of poverty they begin at this stage. This can be justified by the fact that the children sent to work are missing out on the opportunity to increase their future earnings capacity and unknowingly create their own ploy to remain at the bottom of the income distribution. The lack of productivity at this stage will be an indicator of low living standards and will essentially quantify the destructive effect child labour has on the economy.

CHILD LABOUR IN APPLE'S SUPPLY CHAIN:

As the ILO's recent statistics publication suggests, 1 in 25 children in Central Asia are victims of child labour and despite being a multinational tech company, Apple has also negatively contributed to these figures. This became evident after they admitted to claims of its biggest manufacturing partner, Foxconn, employing children for over 11 hours a day during the production of their recent iPhone X. Despite the existence of a U.S. Tariff Act in place to prevent child labour in the supply chains for consumer electronics, Apple utilising children as their human capital impedes the education of the future generations. This makes a country's economy less productive and hinders economic growth through lack of efficiency. GDP may not necessarily correlate to how educated a country's population is but it does reflect to a certain extent an economy's investment into human capital.