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Basic Income as a Policy to fight Child Labour

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Abstract:

This paper aims to discuss the implementation of a Basic Income (BI) Policy to fight against Child Labour. Which are the advantages and disadvantages of this kind of policy compared to targeted policies? What kind of design should a BI program have in order to cope with the heterogeneity of child labour activities? These are some of the questions that the paper wants to address in order to present alternative social policies which would improve children's well-being and development.

Resumen:

La finalidad de este documento es reflexionar sobre los posibles efectos de aplicar una política de Renta Básica (RB, en adelante) como mecanismo para eliminar el trabajo infantil. Por lo tanto, algunas de las preguntas que se pretende desarrollar son: ¿Cuáles pueden ser las ventajas y desventajas de aplicar una política de Renta Básica comparada con los actuales programas de Rentas Mínimas cuyo objetivo es garantizar la escolarización y eliminación del trabajo infantil? ¿Qué tipo de diseño debería tener una RB si se toma en cuenta la alta heterogeneidad de las actividades que realizan los niños? ¿Es la Renta Básica una política más efectiva y equitativa para garantizar el bienestar y desarrollo de los niños?

1.- INTRODUCTION

In the past years, the political and academic debate about Child Labour has gain a lot of importance both at the national and international level.¹ From various social areas, researchers have tried to explore the main causes and consequences of Child Labour (Basu Kaushik, 1999; Anker R., 2000; Galli Rossana, 2001; OECD, 2003). At the same time, studying its evolution, could support the idea that Child Labour is a phenomenon linked to under-development and poverty². Although, as Basu points out, the economic growth and development are necessary but not sufficient conditions to eliminate Child Labour (Basu Kaushik, 1999)

In this sense, there are two structural forces which affect the most vulnerable social groups, specially children. One is the constant increase in social inequality and the other is the risk of falling into conditions of permanent poverty. These forces put in evidence the need to create a strategy in favour of childhood. Examples of these efforts can be seen in the signing of international agreements to support child development such as the Convention of Child Rights (1989), Minimum Age to Work (Agreement no. 138, 1973), about the Worst Forms of Child Labour (Agreement no. 182, 1999) and more recently the Millennium Compromises (2000) adopted by United Nations.

These compromises have also created the need to understand more in depth the nature and intensity of the children's labour activities and how to eliminate them. Special attention should be paid in order to explain the different activities related to sex, age, race, rural/urban variables. At the same time it is important not to leave out the specific socio-cultural context in which the children live.

The above mentioned variables generate a vast heterogeneity in the range of activities done by children. In the literature there has been a large debate around this issue and, therefore, it is essential to define what we understand when we talk about Child Labour.

The literature differentiates between "Child Work" and "Child Labour". The first is mainly described as the work which is not particularly harmful for the child and does not damage educational opportunities. On the contrary, "Child Labour" is used for work which is likely to

¹ One of the reasons why this debate became part of the international agenda was due to the polemic proposal "*Child Labour Deterrence Act*", also known as the "Harking Bill" presented in 1995 at the United States Congress. The aim of this proposal was to ban imports of all products created using Child Labour. It should be noticed that the spirit of this initiative was more a protectionist idea in order to avoid the possible *social dumping* in poor countries. The social rights of children was just a secondary matter.

² Historical Studies since the Industrial Revolution like Cunningham's work [1990] show the decreasing tendency of children work in different countries related to the improvement their level of development.

damage children’s health, physical and psychological development as well as their chances of fulfilling other rights, mainly the right to education.

According to the International Labour Office (ILO), Child Labour has been defined as: **a)** All economic activities done by children until aged 11; **b)** all economic activity done by children aged 12 to 14, excluding permitted “light work” in the sense of Convention 138; **c)** all economic activity carried out under “hazardous conditions” by children aged 15 to 17; and **d)** “The worst forms of Child Labour” carried out under aged 18. The following table identifies more clearly how Child Labour is defined.

Table 1.- Child Labour Definition

Age groups	<i>Types of Child Labour</i>			
	Non-hazardous Child Labour		Worst Forms of Child Labour	
	Light Work (<14 hrs per week)	Regular Work (<43 hrs per week)	Hazardous Work	Unconditional Worst Forms
5-11				
12-14				
15-17				

The shaded areas are the ones that the ILO considers as Child Labour.
Source: International Labour Office

It is important to clarify what it is understood as “Worst Forms of Child Labour”. As defined in the Convention 182, they can be classified in two categories: i) “*hazardous work*” which include all forms of work in hazardous industries and occupations that damage the child development as well as if they exceed 43 hours per week; ii) “*unconditional worst forms*” which are trafficked children, children in forced and bonded labour, armed conflict, prostitution and pornography and illicit activities such as drug dealing.

This paper aims to highlight that the ILO’s definition of Child Labour is incomplete and lacks accuracy since it does not include the activities done by the children inside the house i.e. all forms of domestic work and family care. As pointed by various authors, this kind of activities also contribute to harm the children’s development and their learning process, especially in the case of girls (Knaul Felicia, 1999; Lavinias L, Barbosa M. L et al., 2001; Levinson Deborah, Knaul Felicia et al., 2001; Sedlacek G., Yap Yoon-Tien et al., 2001).

The full understanding of this social problem will allow us to elaborate more precise and efficient solutions in order to fight child labour appropriately. With this spirit, our research stands on two main hypothesis:

- The first one considers that child labour is cause and consequence of poverty which is transmitted from one generation to another. Parents poverty conditions the investment on education, health and time, that they can offer to their children. The children are sent to work at very early ages breaking their learning process and their social abilities necessary to improve their conditions of living in adulthood. This transmission of poverty conditions is what Basu (1999) calls “Child Labour’s Trap”.
- The second idea that the paper aims to highlight is that Child Labour must be understood as multidimensional phenomenon. It is a result, not only of income factors, but also of specific institutional and social design. The shape of the legislative framework, the education system, the restrictions in the labour and credit market, and also the social and cultural norms, are capital factors which affect the decision to send the children to work. (Anker R., 2000; López-Calva Luis F., 2001)

Based on these two main points, the purpose of this paper is to discuss the implications of a Basic Income policy implementation on Child Labour. Therefore, there are several questions to which we need to give answer to: which are the advantages and disadvantages of this kind of policy compared to targeted policies? What kind of design should a BI program have in order to cope with the heterogeneity of child labour activities? Is Basic Income a more efficient and equitable policy in order to improve children’s rights and well-being?

It is important to highlight that, throughout all the paper all major references will be related to Latin America since this is the area we have mostly focused our research on. However, this does not imply that the ideas presented can also be used in the study of other areas of the world which also share the problem of Child Labour such as Asia and Pacific, Sub-Saharan Africa, etc.

The paper is structured as follows: first we will study in depth the main causes of child labour. Secondly we will discuss major relevant programs that have been implemented to fight Child Labour, paying special attention to their limitations compared to a Basic Income Policy. This will lead us to a third chapter where we will try to study the possible effects that BI would have related

to child labour and education. Finally, we will introduce some considerations that will try to summarize the main ideas in this paper and also to point out possible future lines of discussion.

2.- THE MAIN CAUSES OF CHILD LABOUR.

Recently, there has been a great interest to study Child Labour both using quantitative and qualitative methodologies³. The results show that we are facing a multidimensional phenomenon and its roots are product of a complex combination of determinants. These determinants fall into two categories: a) related to the decision making of the household to sent the children to work (Child Labour Supply), and b) from the demand point of view such as labour market structure, technology requirements, globalisation, etc. (Child Labour Demand). This classification is based on the works of Grootaert C. and Kanbur R., (1995); Cigno Alessandro , Rosati Furio C. et al., (2002); Dar Amit, Blunch Niels-Hugo et al., (2002); OECD, (2003) and we will now explain the main determinants of each category.

2.1.- Determinants of the Supply of Child Labour:

A) ***Household Income.*** The first and most evident determinant is the level of income of the household (poverty level). There is a very strong negative correlation between Child Labour and Household's total income. The higher the income level is, the lower the probability is that a child works or combines work with education. Nevertheless, the effects of household's income on child labour are difficult to measure correctly. We must measure household income without the children's contribution which is not easy to do. Also, is even more difficult to assign a monetary value to household chores and other non-paid work performed by children (Cigno Alessandro , Rosati Furio C. et al., 2002).

At the same time, it can be supported that Child Labour works as a "household insurance" by which children's earnings are used in unexpected situations such as loss of job by a family member or health emergencies, among others. Also, in cases of extreme poverty, the children's economic contribution may represent a survival strategy to the family (Damián Araceli, 2002).

³ From the quantitative point of view there have been various advances in data compute, design and management. The nature of Child Labour as an illegal activity has always caused a lack of information and accuracy in the data available. However, there have been new efforts from the international community to develop more complete data bases in different countries. An example of this is the project Understanding Children's Work which is a joint work between UNICEF, ILO and the World Bank (www.ucw-project.org)

Although Child Labour supply is substantially smaller in those household that belong in the higher income quintiles, income benefits to the lower quintiles do not seem to generate large reduction in the supply.

As Cigno, Rosati and Tzannatos (2002) stress, there seems to be an apparent “**income paradox**” by which income redistribution to household has very little effect on child labour reduction. More research is needed on this area, but a possible explication could be related to structural factors such as global income inequality of a country which not allow to modify the position of the poor substantially and minimize the possible effects of income redistribution. Therefore the institutional structure perpetuate social inequalities which cause child labour. Instead of using this statement to discredit monetary transfers programs such as a Basic Income we should see this proposal as a feasible opportunity to change income inequalities.

B) *Parents socio-economical characteristics*. Empirical results in different countries show that parental education and employment conditions are two of the most important determinants with more power over the household decision to sent a child to work or study (Psacharopoulos George, 1997; Gustafsson-Wright and Pyne Hnin H., 2002).

In general, children of better educated parents are more likely to attend school and less likely to work part or full time than the children of less educated parents. Its is necessary to note that educational differences between mothers and fathers also have a key effect (Cigno Alessandro , Rosati Furio C. et al., 2002). In some cases, mother’s education tends to have a more positive effect on the welfare of the children. This is part of an upcoming debate which may need more research.

At the same time, parental employment conditions are determinant to whether the child is working or not. In the context of new labour market flexibilization, where the access to the formal sector via a more or less stable job is becoming increasingly difficult, there is a very high propensity to fall in poverty. This household vulnerability may cause the child to suffer from strong consequences throughout his childhood such as dropping out of school and being forced to use his time to work.

Another example of how the parental employment conditions affect child labour comes from the participation of mothers in the labour market. According to Basu [1993] evidence from

some quarters in the suburbs of New Delhi show that mothers who are bound to participate in the labour market will call upon her children to substitute for her in the home. This is particularly true in the case of girls who are likely to substitute their mother in the performance on domestic chores and looking after younger siblings⁴. The question that rises in this context is what level of income (or salary) is necessary to guarantee that parents (mother in particular) won't have to use their children's time to do the domestic work instead of attending to school. Here is where the debate of a Basic Income Policy can have something to say as way to encourage children's schooling.

C) Education and Child Labour. The relation between education and child labour has inspired a large number of research works which are mostly based on the theories of human capital. In them, it is stated than working and attending to school are not excluding activities but on the contrary they are most commonly seen as combined activities. (Basu Kaushik and Van Pham Hoang 1998; Anker R., 2000). Facing this reality, it is necessary to identify not only the total of children in work but also the intensity of the work itself and the effects on school attendance and performance.

Very few works have been produced which explore the relation between education quality and child labour, some exceptions are Bonnet Michal, 1993; Schultz T.P., 1997; Dreze J. and Kingdom G., 2000. Education quality determines the perception that parents have of the education process as a way to improve life status. If they perceive that the quality of education is low they may question the need of their children's schooling in order to get a well-paid and stable job. These kind of decisions may be found most commonly among social groups with low income levels since their employment opportunities are frequently placed in the informal sector, where the investment in human capital may come second.

More research in the relation between child labour and education is needed, especially around the topics mentioned above. The most important programs to fight poverty and, indirectly, child labour such as "Oportunidades" in Mexico and "Bolsa Escola" in Brazil are designed to increase school attendance and do not question school performance. The fact that these programs are not oriented towards a more inclusive approach may lead to cases where the attendance to school does not avoid child labour but takes leisure time off the children.

⁴ This relation is identified like the inverted "U" between the mother salaries and child work.

D) ***Household Structure.*** The household's composition is an important determinant when it comes to make the decision to whether the child should attend to school or work. The way in which this variable influences these decisions is a combination of substitution and income effects. As Cigno, Rosati y Tzannatos (2002) points out in their work for India, Morocco and Vietnam, to identify correctly these two effects it is necessary to categorize household members into three groups: adults, school-age children, and pre-school children. The expected relation is that the greater the number of adults working, the lower the probability that a child will need to work (substitution effect). But at the same time, if the number of pre-school children is high the probability that a school-age child works goes up. The reason behind this fact is that pre-school children are quite costly and need a lot of care, which means that an increase in their number is equivalent not only to a reduction in full income (income effect) but also to an increase in the domestic work. These two elements may force that a child in school-age needs to work full or part time.

It must be taken into account that the effect of all determinants mentioned above depend on the context in which the child is working. The relation of these determinants with the probability that a child works will be different if he lives in a rural or urban area, and if the sector of employment is primary, secondary, tertiary or informal sector.

2.2.- Determinants of the Demand of Child Labour:

E) ***Labour market conditions and the demand of Child Labour.*** It can be clearly stated that the segmentation of the labour market between formal and informal employment is a key determinant to Child Labour. This impact can be directly on the level of salary and type of work that a child can have access to or indirectly on the working conditions of a household member.

In the developing countries the main characteristic on their labour markets is a high proportion of activity in the informal sector and unskilled labour force . This may lead to a large market space where children could be demanded to participate as labour force. [OECD, 2003 #24; OIT, 2002. #75]. Likewise, some company strategies such as the avoiding of social legislations, cost reductions and subcontracting can create pressures on the demand of child labour.

E) **Technological change.** This determinant influences both the demand for, and the supply of, child labour. If new technologies, like mechanization, or the use of fertilizers and improved strains are introduced in agriculture, the demand for unskilled labour in general and child labour in particular is then likely to fall. At the same time, the returns to education are likely to increase as a reflection of the higher demand for skilled labour. This will reduce the supply of child labour. The combined effect of reduced willingness to supply child work and reduced willingness to employ unskilled workers is likely to be a reduction in the use of children for productive activities (Cigno, Rosati y Tzannatos, 2002).

It should be noted that, from the technological point of view, children are not essential to any phase of industrialisation. Moreover, in many industries in which children work, there is available technology that is being employed in industrialised countries that would completely eliminate tasks performed by children in less developed countries (OECD, 2002).

3.- PROGRAMS THAT HAVE BEEN IMPLEMENTED TO FIGHT CHILD LABOUR AND THEIR LIMITATIONS IN CONTRAST WITH A BASIC INCOME POLICY

“The risk, (targeting) is that the process of means-testing contains a blind spot where we simply do not see those who our assumptions have already told us cannot be in need” (Fitzpatrick,1999:67)

The design of policies to tackle child labour has to be seen as a very complex process full of different colours. Some of the activities done by the children, such as the ones that fall into the category of “worst forms of labour”, must be urgently solved and legal persecution and a protection policy must be assured. However, there are other activities which are more related to the household conditions and to the economic and social development of the children’s context that may need another kind of intervention in order to fight them (Anker R., 2000; Galli Rossana, 2001). Given this heterogeneity, the strategies to tackle child labour will need to have an inclusive and comprehensive approach so that they can cover the following areas of intervention:

- a) Protection through the passing of national laws which ban certain forms of Child Labour as well as through the assurance of compulsory schooling up to a certain age.

- b) Improvement in the access, quality and equity of the public services provision such as health, education, employment, welfare, etc, as well as in the access to technology and to loan guarantee programs.
- c) Creating necessary income incentives so that households are not pushed to take advantage of the children's time as a strategy to have an extra labour force and to survive.
- d) Giving recognition to the different realities of child labour determined by: age, gender and ethnicity. The most frequently ignored is the difference between boys and girls. Girls have a greater propensity to spend a large number of hours working in domestic chores without being able to go to school.
- e) Despite the long term effects, the important impact of economic growth and development policies must not be forgotten. The consequences of a certain economic model related to poverty and income inequality must be questioned. It is necessary to put efforts on the design and implementation of social and economic policies.

Our discussion will be focused on the effects that monetary incentives have on households and their effectiveness as a policy to fight poverty. Therefore, we would like to discuss the advantages of implementing a Basic Income policy in contrast with current Minimum Income programs. In more general terms, we would like to discuss the transformation of the social security system which is based on social insurance and social assistance benefits to one which can be based on citizenship rights.

3.1.- Guaranteed Minimum Income Programs to fight child labour

Guaranteed Minimum Income programs consist in assuring a certain level of income. These programs can be conditional or unconditional, universal or target-based, contribution-based or citizenship-based (Parker Hermione, 1995). Empirical evidence shows that, in practice, it is possible to find a great variety of these programs depending on the ideological approach behind every welfare state.

In Latin America, the main experiences in Guaranteed Minimum Income Programs are based on target policies which are focused on the children's needs, especially those related to education (refer to *Oportunidades* in México; *Bolsa Escola* and *PETI* in Brazil; *Programa de Asignación Familiar* in Honduras; *Beca Escolar* in Ecuador). These programs, although in a partial and selective way, aim to achieve that a targeted monetary transfer to households enables the families to break with the

vicious circle of intergenerational transmission of poverty in which they are trapped. In relation to Child Labour, these programs pursue that the monetary transfer acts as an incentive for the parents to keep the children in the school instead of sending them to work by a way of reducing the opportunity cost of schooling.

Although these programs have achieved positive results in the sense of increasing the children's school attendance, encouraging health care, lowering the under-nutrition rate, and even in reducing the short term financial needs of the family, their impact on Child Labour is far from clear. There is evidence that shows that the children, in order to fulfil the 85% school attendance condition, tend to give up leisure time instead of reducing their working hours (Parker Susan, 2003).

Another possible criticism to these programs is based on the idea that they have not been able to reach the total of the targeted population. Furthermore, the monetary transfer is not sufficient to generate positive and permanent effects towards the reduction of poverty and only succeeds in keeping the population moving in and out of a "virtual" poverty line⁵.

We believe that it is vital to change our perception around the way in which we tackle poverty and all its different faces such as child labour. The most instinctive answer is still to use a targeted mechanism as the cost-effectiveness principle is deeply rooted. We must not forget that the path to the reduction of poverty is not simple and that it cannot be governed only by the profit-maximizing principle linked to a certain amount of cost.

We believe that focalised policies suffer from **very important deficits** basically related to three elements: **a)** the fact that the benefit holder is considered as a passive subject; **b)** the lack of transparent and consensual criteria in determining the population which will receive the benefit; and **c)** the lack of questioning in where the financial sources of the transfers come from.

The first and second element are very well developed in Sen's work [1995]. Related to the first element, he argues that if individuals are considered as mere benefit holders and not as active individual subjects this will generate important effectiveness distortions in targeted policies. As an example, lack of information in the selection of the eligible population which will receive the benefit can cause to leave out individuals that would be even better candidates to receive it. They

⁵ If we make an effort to picture population as an iceberg, a targeted social policy would aim to draw a poverty line between the visible part of the iceberg and the part under water. This approach would only allow us to see the tip of the iceberg as the problem to solve without questioning what lies beneath (an unfair social and economic system which produces and reproduces poverty conditions).

may also lead to employment disincentive or to social stigmatisation. Related to the second element, he claims that, although it is obvious that every policy design implies a selection of the targets (by area, gender, occupation), this selection must never become an exhaustive and never-ending process of identification of potential benefit candidates.

The last element that must be taken into consideration is one of the strongest weaknesses of targeted policies compared to Basic Income policies. Targeted policies do not question the financial source of the transfers which means that they neglect one of the most important purposes of poverty fighting which is a fairer redistribution of income. Furthermore, these policies leave aside the sustainability principle, since they do not incorporate a link between a progressive tax system and an efficient social spending.

3.2.- Introducing Basic Income as an alternative policy to fight Child Labour

Basic Income is an unconditional cash payment which the State gives to each citizen individually and on a monthly basis without means test or work requirement (Fitzpatrick, 1999). There is a vast and enriching debate surrounding the advantages and limitations of implementing a Basic Income program. The aim of this paper is only to highlight the most relevant contributions of Basic Income compared to Guaranteed Minimum Income programs in the fighting of Child Labour.

Advantages

- It implies a better income redistribution both vertically and horizontally and considers the viability of using a progressive tax system to do so.
- In economies with a large presence of informal sector, where there are greater chances to find children working, a Basic Income policy can assure an equal access to all benefits of a social security system.⁶
- A Basic Income program is easier to manage than targeted programs, it implies a cut on administrative costs, and it shows a higher level of transparency in the allocation of benefits. Basic Income overcomes the dilemma that targeted policies face where more funding is spent in identifying properly the benefit holders than in actually increasing the benefits.
- Basic Income contributes to the “empowerment” of the citizens as individuals of full rights and, therefore, it is an incentive to the participation in the social construction.

⁶ It is estimated that approximately half of the population in Latin America don't have access to the social security system because they work in the informal sector (Cruz-Saco Maria, 2002).

- Basic Income encourages employment since it helps to overcome the negative consequences of the current social security systems, which are the unemployment and poverty trap. The fact that the benefits of social security systems are based on mean tested criteria discourages the potential benefit holders to take a not very well paid job so they can continue to live off the benefit.
- Basic Income would reduce stigmatisation problems in schools between children who receive a benefit such as *Bolsa Escola* and children who do not.
- It must be underlined the highly positive effect that Basic Income would have on the integration of tax systems and transfer systems.

Limitations

- The implementation of a Basic Income program in countries where there is Child Labour, like in Latin America, would imply great efforts in order to reform their tax systems. Their tax systems present various specificities that would difficult its implementation such as: 1) a very low-tax base; 2) predominating indirect taxes; and 3) a high level of tax evasion.
- It must be taken into account the high economic and political volatility of these countries which also effect their spending and fiscal capacity. These circumstances would difficult to maintain the Basic Income policy stability.
- Based on the cost-effectiveness principle, some critics of the Basic Income argue that it is a very expensive strategy to discourage Child Labour, since a part of the monetary benefit to the children would end up as adult consumption.
- Apart from the above arguments, it is always present in the debate the discussion around the total amount of benefits. It is argued that these may not be high enough as to allow individuals to get out of poverty and would only contribute to increase the purchasing power of middle and high class.

There have been relevant advances in empirical research using micro simulation models in order to study the impacts of Basic Income and its viability. Although it is true that micro simulation exercises need to be performed in countries with presence of child labour, it is interesting to point out that the results of some micro simulations show that the decision to implement a Basic Income depends more on ideological and political positions than on the amount of resources required.

A recent work which develops this line of research is the one by Oliver and Spadaro [2004] about the financing of Basic Income in Spain. They find that a basic income policy based on a flat tax

would have a greater redistributive impact compared to the current tax system. The most remarkable finding is that the cost of implementing such tax reform is not high regarding fiscal pressure and that with a flat tax rate around a 25%-30% it is possible to achieve a high redistributive impact, especially for the households which are in the lowest income deciles.

Even after overcoming the previous objection on the source of funding, it would still be necessary to define the design that a Basic Income policy should have, but this would imply writing another paper. Still, it is important to highlight one of the ideas that has been discussed in recent debates. The question is whether basic income should maintain its unconditionally throughout the whole process of its full implementation, which some works estimate as at least 20 years (Fitzpatrick, 1999:70).

Around this idea, we should take into consideration Atkinson's proposal [1995] of *Participation Income*, which would maybe have a larger social acceptance than a Basic Income policy and would be able to be used as a transitional bridge from the current Guaranteed Minimum Income programs to a full Basic Income program in Latin America.

Atkinson's proposal consists in creating a social security system which would eliminate the means testing and would include a Basic Income conditioned to the participation of individuals not only in paid work, but also in other activities with a social contribution. These could be: working as self-employed; reaching pension age; inability to work on grounds of disability; unemployed; engaging in approved forms of education or training; caring for young, elderly or disabled dependants; undertaking voluntary work.

Among the activities with a social contribution could easily be included activities directed to reduce Child Labour such as extra school activities, parents' participation in the school, continued education programs, volunteering activities, etc.

4.- SOME CONSIDERATIONS ABOUT THE POSSIBLE EFFECTS OF A BASIC INCOME REGARDING CHILD LABOUR AND EDUCATION.

The debate that we want to develop is based on social justice, equity and citizenship principles. As we mention above, the main strategy to fight against poverty and child labour followed in Latin America has been the implementation of conditioned monetary transfers programs. However, there

are important doubts about their capacity to guarantee the principles previously cited. Therefore, it is necessary to discuss the effects of alternative policies such as Basic Income.

4.1.- Effects on Child Labour

The effects that a Basic Income could have in the living conditions of children and their families would depend on its final design, the amount of money transferred, and the level of coordination with other structural policies. In addition, the underlying conditions of the place where a Basic Income policy is implemented such as the development of its social security system as well as the ideology beneath it, are also two components that determine its success or failure.

We are conscious that the reason why a child needs to work is not just an income one. Although the Basic Income proposal is a monetary incentive, we believe that its influence goes beyond that. Moreover, we think this proposal affects other social areas which must change in order to create a new social and structural framework in which child labour will be eliminated, as we will see in the following paragraphs.

- Equality of opportunities in the investment on human capital. The income restriction that some households face and which prevents them to invest in the human capital of their members, specially in children, would disappear with a Basic Income. One of the main causes of child labour which is insufficient and unstable household income would not be a restriction in the decision making process of whether to study or not. All people would have the equal right and opportunity to invest in his human capital formation. The challenge of a Basic Income would then be to identify and provide the income level in which households would lose the incentives to sent their children to work.
- Less incidence to be employed in the “Worst Forms of Child Labour”. The strategy to eliminate this type of child labour should pursue three objectives: a) prevention policies; b) rescue policies; and c) rehabilitation policies. A Basic Income could play a very important role as a prevention policy. In order to survive, children may be forced to work in prostitution and pornography, in forced and bonded labour, taking part in an armed conflict, or in illicit activities such as drug dealing. They do it because they do not have other life chances. A stable income would open a new range of possibilities in life and would help them to prevent from taking up these activities again. In addition, whereas a universal

policy like Basic Income does not make differences in the benefit holder, focalised policies do not reach children in invisible activities such as the worst forms of child labour.

- New forms of intra-household relations. The present and future well-being of all family members, including children, depends on the equity in the distribution of their resources. Studies suggest that what happens within families does not result in equal outcomes for all their members ⁷. The opportunity of a Basic Income Policy is to change the power relations inside the household. If we consider that household decisions depend mainly on the resources provided by each member, an unconditional income provided to mothers and children would "empower" their voice in the decision making process. This could open new and more egalitarian methods of resources distribution (from unilateral models to negotiated ones) in the decisions on investment such as children education instead of working.

At the same time, a Basic Income enhances female independence because it would be paid to individuals rather than to households and on the basis of citizenship status rather than employment status. This would specially improve the ability of the most vulnerable women to exit from relationships that affect the development her child such as domestic violence. Therefore, a Basic Income could indirectly prevent situations in which the child is forced to escape from his home and use the street as a "second house" for living and working (DIF and UNICEF, 2000).

- Reduction in the domestic labour done by girls. A Basic Income might reduce sexual division of labour by raising the status of non-waged work, such as domestic and caring responsibilities, and by placing less emphasis upon the necessity of earning wages in order to provide a liveable income (Fitzpatrick, 1999). Therefore a Basic Income would eventually encourage sharing unpaid work between men and women, so the strategy to use children, specially girls, as a substitute for this activity would not be necessary.
- Improvement in women's conditions of living. As Parker (1993) states, a Basic Income would make part-time workers better off, especially those in low wages such as single mothers with children. In addition, this policy promotes equal pay and treatment between men and women by substituting the social security model based on a bread-winner model

⁷ See the works done by Behrman (1997) to understand the theories of intrahousehold distribution of resources and family decisions.

with an unconditional and non-contributory model. Therefore, the improvement in women's conditions would allow them to escape from living in poverty and, indirectly, would help to reduce the probability that a child will see the need to work outside or inside the household.

- Fertility Choices. As Cigno, Rosatti and Tzanattos (2002) point out, parents decide whether to have an additional child and how much to spend on the new child under conditions of uncertainty. They also suggest that the households fertility decisions are highly correlated with the benefits that parents expect to have from the social security systems. In this inter-temporal decision, their preferences are determined by altruistic and self-interested feelings.

There are not simple solutions to these decisions and the impact on child labour but we can think of one possible and frequent form of parental behaviour: When parents act self-interested they see children as a kind of capital asset and expect that they will provide a stream of payments and personal services not only in old age but also during their childhood (old-age security hypothesis). This could generate pressures to increase child labour, mainly in rural areas.

Therefore, a Basic Income Policy would guarantee the household income stability in the long run, so parents could decide to have less children and invest more in them. If this behaviour persists it could be expected a reduction of child labour supply.

- More facilities to participate in the capital markets. A Basic Income could function as a collateral asset to participate in the capital markets. A stable and permanent income would allow all the individuals, specially children in school-age, to fulfil their investment decisions via access to capital markets. These decisions could be to invest in post-compulsory education, productive projects and to protect themselves from unexpected problems.

4.2.- Effects on Education

A complete strategy to fight poverty and child labour should be oriented not only towards the family factors driving the demand of services, but also towards the supply side, like educational quality and equity. Following a multidisciplinary approach, we should consider that it is not enough to promote school attendance, but that it is also necessary to coordinate these efforts with supply policies to find a solution to the basic education problems that persist in Latin America such

as high rates of repetition, desertion and poor school performance among children from low income families. For this reason we want to include in this section a discussion about the possible implications that a Basic Income would have over the education system.

In the 90's the social policy in some countries of Latin America was sustained on the idea that with education all social inequalities would be fixed. Despite the improvement of schooling rates and the number of years of instruction, the education system continues to reproduce these inequalities. This is due to the fact that policies oriented to increase the equity and quality of education have not considered the process by which the social structure generates new educational inequalities. The Basic Income proposal has a great opportunity to modify this social structure through a real income redistribution. In addition, Basic Income could have positive effects on some of the educational factors that reproduce social inequalities. We could classify these factor in two: extra-school and intra-school elements.

Extra-school Factors.- This area is where Basic Income has more opportunities to offer such as:

- It would help to reduce the family's socio-economic background inequalities which limit the capacity to face the direct and indirect cost of education.
- Indirectly, the academic performance would be improved. If we implement a Basic Income like the Atkinson's proposal, one of the activities that could be linked with the reception of the benefit may be the participation of the family in the educational process of their children inside the school. Activities such as after school programs to adults (literacy, health and consciousness programs) would help to improve the academic performance of the child and change the perception of parents about the importance of the fact that children are in the school and not working.
- Another possible impact of the implementation of a Basic Income is the transformation of the community residence where the child lives. If parents do not need to work in the labour market to survive, some of them could spent their time in activities oriented to improve the infrastructure, services and security of their neighbourhood (these activities could also be integrated in the Atkinson's proposal). Therefore, the violent social relations (gangs and drug dealing) characterized in the marginal neighbourhood that affect the social capital of children and also their school performance would slowly but constantly decrease.

Intra-school factors.- This area is where a Basic Income Policy would have more limitations:

- It is not a strong policy to fight against the intra-school factors of educational inequality due to its dependency on another educational policies such as: attention to diversity in the classroom and specific necessities of the students (working children), an increase of human resources in less favoured schools, and to avoid the segregation between private and public school networks, etc.

Finally, it is important to mention that social policies should be conceived to support the school process of teaching in the best conditions. Therefore, the Basic Income proposal should be oriented in this perspective to look for the best possible coordination with an educational policy aiming to solve the equity problem of the system.

5.- FINAL CONSIDERATIONS.

The propose of this paper is to discuss the implications of a Basic Income policy implementation on Child Labour. Therefore, there are several questions to which we need to give answer to: which are the advantages and disadvantages of this kind of policy compared to targeted policies? What kind of design should a BI program have in order to cope with the heterogeneity of child labour activities? Is Basic Income a more efficient and equitable policy in order to improve children's rights and well-being?

Our discussion will be focused on the effects that monetary incentives have on households and their effectiveness as a policy to fight poverty. Therefore, we would like to discuss the advantages of implementing a Basic Income policy in contrast with current Minimum Income programs. In more general terms, we would like to discuss the transformation of the social security system which is based on social insurance and social assistance benefits to one which can be based on citizenship rights.

In Latin America, the main experiences in Guaranteed Minimum Income Programs are based on target policies which are focused on the children's needs, especially those related to education (refer to *Oportunidades* in México; *Bolsa Escola* and *PETI* in Brazil; *Programa de Asignación Familiar* en Honduras; *Beca Escolar* en Ecuador). These programs, although in a partial and selective way, aim to achieve that a targeted monetary transfer to households enables the families to break with the vicious circle of intergenerational transmission of poverty in which they are trapped. In relation to Child Labour, these programs pursue that the monetary transfer acts as an incentive for the parents

to keep the children in the school instead of sending them to work by a way of reducing the opportunity cost of schooling.

Although these programs have achieved positive results in the sense of increasing the children's school attendance, encouraging health care, lowering the under-nutrition rate, and even in reducing the short term financial needs of the family, their impact on Child Labour is far from clear. There is evidence that shows that the children, in order to fulfil the 85% school attendance condition, tend to give up leisure time instead of reducing their working hours.

We believe that focalised policies suffer from **very important deficits** basically related to three elements: **a)** the fact that the benefit holder is considered as a passive subject; **b)** the lack of transparent and consensual criteria in determining the population which will receive the benefit; and **c)** the lack of questioning in where the financial sources of the transfers come from.

The last element is maybe the strongest weaknesses of targeted policies compared to Basic Income policies. Targeted policies do not question the financial source of the transfers which means that they neglect one of the most important purposes of poverty fighting which is a fairer redistribution of income. Furthermore, these policies leave aside the sustainability principle, since they do not incorporate a link between a progressive tax system and an efficient social spending.

We believe that it is vital to change our perception around the way in which we tackle poverty and all its different faces such as child labour. The most instinctive answer is still to use a targeted mechanism as the cost-effectiveness principle is deeply rooted. We must not forget that the path to the reduction of poverty is not simple and that it cannot be governed only by the profit-maximizing principle linked to a certain amount of cost.

There have been relevant advances in empirical research using micro simulation models in order to study the impacts of Basic Income and its viability. Although it is true that micro simulation exercises need to be performed in countries with presence of child labour, it is interesting to point out that the results of some micro simulations show that the decision to implement a Basic Income depends more on ideological and political positions than on the amount of resources required.

Around this idea, we should take into consideration Atkinson's proposal [1995] of *Participation Income*, which would maybe have a larger social acceptance than a Basic Income policy and would

be able to be used as a transitional bridge from the current Guaranteed Minimum Income programs to a full Basic Income program in Latin America.

We coincide with Lo Vuolo about that necessity to discuss the implementation of a Basic Income in Latin America due to: 1) income distribution is more regressive as some European countries; 2) the need of a more strong welfare state; and 3) the increase of social inequalities and income vulnerability in the families due to the actual social security system.

The effects that a Basic Income could have in the living conditions of children and their families would depend on its final design, the amount of money transferred, and the level of coordination with other structural policies. In addition, the underlying conditions of the place where a Basic Income policy is implemented such as the development of its social security system as well as the ideology beneath it, are also two components that determine its success or failure.

We are conscious that the reason why a child needs to work is not just an income one. Although the Basic Income proposal is a monetary incentive, we believe that its influence goes beyond. Moreover, we think this proposal affects other social areas which must change in order to create a new social and structural framework in which child labour will be eliminated such as: a) guarantee a equality of opportunities in the investment on human capital; b) less incidence to be employed in the worst forms of child labour; c) new forms of intra-household relations; d) reduction in the domestic labour force; e) women improvement conditions of living; f) fertility choices; and g) more facilities to participate in the capital markets.

A complete strategy to fight poverty and child labour should be oriented not only towards the family factors driving the demand of services, but also towards the supply side, like educational quality and equity. Following a multidisciplinary approach, we should consider that it is not enough to promote school attendance, but that it is also necessary to coordinate these efforts with supply policies to find a solution to the basic education problems that persist in Latin America such as high rates of repetition, desertion and poor school performance among children from low income families. For this reason we want to include in this section a discussion about the possible implications that a Basic Income would have over the education system.

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