

To best prepare for the double quiz, quasi midterm, you should focus your studies around the topics covered in these snippets from the lecture notes. The quizzes will cover lectures on: child labor and nutrition, inequality, and women's agency. Make sure you know the theory, the trends, the concepts, and the debates in these topics. Also, be aware of some specific cases (case studies) and illustrations covered in the lectures such as the stories of the Hassan's, Rina, and so on.

## UNICEF 1997: 4 Child Labor Myths:

- **Myth 1: Child labor is uniquely a problem of LDCs:**
- **Myth 2: Child labor cannot be eliminated until poverty disappears** ILO & NGO programs do work—example the MOU with the BGMEA.
- **Myth 3: Most child workers work in sweatshops exporting goods to rich countries** (less than 8% of all workers work in these sectors).
- **Myth 4: The only way to make progress is through trade sanctions and boycotts** as proposed under the Harkin Bill for example.. “such measures are blunt instruments with consequences that can actually harm rather than help the children involved.”

## Globalization & exports has little to do with Child Labor (see UNICEF Myths 3&4)

- **Some child labor is hazardous and/or abusive—bonded slavery, mining, prostitution, etc.** *this sort of child labor is and should be banned—its is illegal but bans need to be enforced.*
- **Less than 10% of all child labor takes place in export oriented manufacturing** *and mining or agriculture industries— most children work in domestic services and local food production and child care— often in the home.*
- **Attempts to reduce child labor with trade sanctions have unintended negative consequences**—e.g., *proposed Harkin Bill in 1995 which provoked a reaction from Bangladesh Garment factory owners even though it was never passed by Congress....*

## Emerging consensus:

- **Enforce child labor bans for hazardous occupations** e.g., mining, prostitution, sugar cane, etc. about 8 million children are in these occupations.
- **Compensated mandatory school attendance** enforce truancy. Best with free tuition, and CCTs subsidies tied to school attendance – Mexico's [Oportunidades](#) or Brazil's [Bolsa familia](#).
- **New Laws regulating domestics** children who work in the homes of others (see SOWC 1997) India passed new law (Hong Kong, Singapore).

Read about the Hassan's, follow the [hyper link](#)

## A Malnutrition poverty trap? Meet the Hassans, Bangladesh 2003

- The Hassan household includes a husband of 59, a wife of 44, two sons ages 14 and 11, and a 7-year-old granddaughter. An elderly invalid aunt also lives with them...
- “Three plots total **less than half an acre** (0.45 acres) or 0.18 hectares. They depend on these parcels for enough rice, wheat, and vegetables to meet most of their daily food needs. During the monsoon season, the plots are subject to flooding. Their home has a floor of packed earth and a thatched roof.
- Mr. Hassan **pulls a rickshaw** in a nearby village market (a job for only the poorest and most uneducated men in Bangladesh). This is the family's main source of income; there is no surplus from the farm. Mr. Hassan works an average of nine hours a day, 25 days a month, and earns the equivalent



## UNICEF 1997: Seven steps to end child labor

1. **Immediate elimination of hazardous child labor**
2. **Provision of free and compulsory education**
3. Wider **legal protection in the informal sector** of the economy, including work on the streets and farms, domestic work or work within the child's own household.
4. **Birth registration** of all children All children should be registered at birth (article 7 of the Convention).
5. Data and monitoring with special attention to the **forgotten or 'invisible' areas of child labor**, such as within the home, on the family farm or in domestic service..
6. **Charters: codes of conduct and procurement policies**  
Procurement policies must be developed to take into account the best interests of the child and include measures to protect those interests.

## BGMEA

### The Bangladesh Garment Manufacturers' Association (BGMEA)

It was an unprecedented call for help. On October 1994, some 53 children in the Bangladesh garment industry appealed directly to the ILO and to UNICEF. The threat of an American boycott of goods from factories employing children had resulted in mass dismissals. In less than one year this call for help led to one of the most innovative ILO-IPEC projects - the phasing out of all child labor in an industry which accounts for two thirds of Bangladesh's total export earnings.

Such an ambitious project could hardly have been set in motion without the active support of the Bangladesh Government and the garment manufacturers themselves. Many manufacturers and employers in the garment industry wanted to rid themselves of child workers as soon as possible to avoid the threat of a potentially ruinous boycott. Ironically, they had to be convinced by ILO-IPEC that no under-age child workers were to be taken away from work until appropriate education programs and other rehabilitation measures were in place.

- *The first time that an entire industry enters into an agreement to make their workplaces free of child labor and to keep them child labor free;*
- *Over 8,000 children withdrawn from 800 factories and placed in schools;*
- *Systems of internal and external monitoring and verification have been developed and tested;*
- *Surprise monitoring indicates a positive trend: In 1995, the pre-monitoring survey found 43 per cent factories employing children; In early 1997, surprise monitoring found only 12 per cent of the now more than 1,300 factories employing children.*

On 4 July 1995, the Bangladesh Garment Manufacturers and Export Association (BGMEA), signed a Memorandum of Understanding (MOU) with UNICEF and the ILO, aimed at the elimination of child labor in the garment industry. This was, and is, an historic agreement, because it marks the first time that an entire industry has cooperated so closely to phase out child labor while ensuring that credible alternatives are provided. Under the MOU, the three parties agreed to: conduct a survey to determine the number of children under 14 working in the garment industry; devise and implement a verification and monitoring system for the garment industry; set up education programs for the children removed from work in the garment industry; provide compensation to the former child workers and their families for part loss in income; raise public awareness on child labor and the importance of education.

As its contribution to this effort, ILO-IPEC developed and implemented an experimental monitoring and verification system to remove child workers under the age of 14 from garment factories and to prevent other children from entering employment in garment factories. After conducting a survey to identify the children working in the garment industry, more than 8,000 children under the age of 14 years of age have been successfully withdrawn from 800 garment factories and enrolled in special education programs.

Twenty eight child labor monitors were carefully selected and trained for the regular inspection of factory sites in Dhaka and Chittagong, and for monitoring the school attendance of the children. In the event of any infractions, violating manufacturers face a penalty of either a fine of US \$1,000, or, in the case of a repeat violation, a temporary withdrawal of the manufacturers' export license. Close collaboration has been successfully forged between the ILO, the BGMEA, and the Government of Bangladesh. The BGMEA model is an example of how employers and UN organizations have been able to work together to phase out child labor in the industrial sector, and has demonstrated clearly how child labor can be phased out from the industry and the children placed in education programs

**Nutritional Status = Gross caloric Intake  
minus claims**

**Claims include: Basal Metabolic Rate or BMR** depends on height and weight, a typical South Asia male: 5'4" tall 120 lbs has a BMR of about 1375 calories. So a **survival diet = 1.27\*BMR\*** (note that  $1.27 \times 1375 = 1750$  calories or about  $.75 \times 2250$  meaning about 75 cents a day covers only a survival diet whereas a \$1/day buys about 2250 calories...

•**Physical Activity**– hard physical work consumes about 2 BMRs a day or 300-400 calories per hour.

•**Morbidity**– illness saps energy (calories), it takes extra calories to fight disease.

## The Nutrition based efficiency wage NBEW poverty trap: preconditions

- **Landless workers:** unskilled labor account for 15-25% of typical village.
- **Smallholders** have some land, but not net sellers of food, often 25-30% of community.
- Net sellers of food– **small landholders** or farmers (20-25% of village population).
- **Larger landowners**, skilled crafts people, professionals, government officials (10-20%)

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### The efficiency-wage hypothesis:

- Unlike wheat or cement, the quality of labor varies with price – high wages result in **greater work effort, loyalty, fear of being fired**, etc.
- People work harder and produce more per hour (**productivity rises**) when they are paid more—above average wages elicit above average effort as workers strive to keep a good job.
- **Turnover rates fall** as people value their jobs more (the pay is better relative to other jobs) the cost of being fired and unemployment go up for the worker, so **less supervision** is needed by employers (doors can remain unlocked, because employers worry less about theft)

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## Striking implications of the efficiency wage hypothesis (EWH) for low wage jobs

- Raising sweatshop wages will not increase **prices for consumers** or reduce Walmart or reduce Nike's profits (in the long run, perhaps yes initially).
- Higher pay leads to higher productivity, more machines (*look at a modern auto plant— no workers*) more loyal & productive workers, fewer jobs but better jobs, **lower turnover**.
- **Who loses from higher sweatshop wages?** Only those who do not yet have jobs (the \$1/day poor) those who employers prefer not to hire, women immigrants, less educated workers.

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## Striking implications of the efficiency wage hypothesis (EWH) for low wage workers

- Global poverty reduction slows: In his "In praise of cheap labor" [Krugman, 1997](#) argues raising wages preserves "less visible" severe rural poverty (Kristof makes similar arguments, for poor working conditions— but see the ILO better factories reply).

**Krugman argues turning low wage factory jobs into good jobs increases severe (\$1/day) poverty but makes student activists feel better** because then they have no connection to this poor (whereas if these same workers make their shoes or shirts they feel "unclean"). He asks (as economists do, see A&R, 2012, *What is your alternative poverty reduction machine to replace low wage manufacturing?*<sup>1</sup>

1/ Krugman says "You may say that the wretched of the earth should not be forced to serve as hewers of wood, drawers of water, and sewers of sneakers for the affluent. But what is the alternative? Should they be helped with foreign aid? Maybe—although the historical record of regions like southern Italy suggests that such aid has a tendency to promote perpetual dependence. Anyway, there isn't the slightest prospect of significant aid materializing. Should their own governments provide more social justice? Of course—but they won't, or at least not because we tell them to. And as long as you have no realistic alternative to industrialization based on low wages, to oppose it means that you are willing to deny desperately poor people the best chance they have of progress for the sake of what amounts to an aesthetic standard—that is, the fact that you don't like the idea of workers being paid a pittance to supply rich Westerners with fashion items. In short, my correspondents are not entitled to their self-righteousness. They have not thought the matter through. And when the hopes of hundreds of millions are at stake, thinking things through is not just good intellectual practice. It is a moral duty.

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## Striking implications of the Nutrition-based Efficiency wage process

- Unfettered **market forces** lead to malnutrition—government intervention warranted but tricky...
- **Landless workers (50 cents a day)** are **vulnerable** group not due to big plantations or export agriculture, in fact food crop production may makes malnutrition worse.
- **Supply-Side (what B&J, 2012 call supply-wallas\*\*)**: Reducing malnutrition or severe poverty via land reform or food subsidies increases the effective labor supply.

(\*\*[Lunchbox](#) is a 2014 movie about “dabba wallas”



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### ***How could employers ever pay less than the calories consumed by their workers?***

- **Answer:** it can happen: *blind, anonymous market forces can drive wages below the biological minimum—causing workers to expend more calories than their earnings can buy, leading to “wasting” and illness...*
- **How can this happen?** *They compete with workers who have food, but are need cash.*
- *Tragically, we see this happening to the [Hassans](#), Mr. Hassan is ill and can no longer “drive” his rickshaw*

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## NBEW: Key Assumptions

- At *very low wage* rates, performance improves with better nutrition– well fed workers take fewer sick days & have more energy to work– aka as the **Nutrition Based Efficiency Wage (NBEW)**
- Work effort increases with nutrition, up to a point: hard manual labor burns up to 300 calories/hour.
- For landless workers– with no other source of food-- calorie requirements create a *biological minimum* **reservation wage**
- But, landless workers often compete with other workers who have access to some land.
- If workers are abundant and jobs scarce, the market wage may fall below the reservation wage of landless workers -- result: malnutrition & illness.

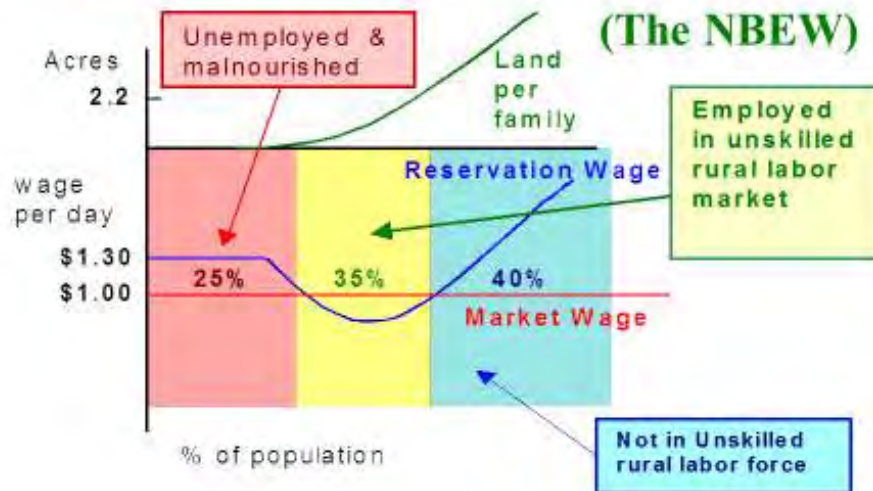
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## Definition: the reservation wage

- The minimum (personal) wage one is willing to accept for their work – may vary over time if one really needs a job.
- **Rule:** if the offered “market” wage is greater than your reservation wage at that moment, you take the job, and start work... If the market wage is lower than your reservation wages, wait– look for a better job.
- Typically this is wage at which you are *willing to work*, but at very low wages your reservation wage may be the minimum need to buy the calories to do the work– under **Nutrition Based Efficiency Wage (NBEW)** the floor on the reservation wage may be the minimum at which a landless worker *can work*.

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## An Explanation for Malnutrition: Nutrition-based Efficiency Wage Hypothesis



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## Three low-cost methods of reducing malnutrition and under 5 mortality:

1. **Oral re-hydration salts:** 10 grams of glucose, 2.5 grams potassium chloride and 3.5 grams bicarbonate of soda, costs "a few cents" per dose. Deaton quotes the Lancet to the effect that ORT is "potentially the most important medical advance this century." Deaton, Angus (2013). *The Great Escape: Health, Wealth, and the Origins of Inequality* (p. 104). Princeton University Press. Kindle Edition. ).
2. **Vaccines, oral antibiotics:** cost less \$1 per treatment.
3. **Birth-spacing to allow breast feeding:** Brazil <2 year spacing U5MR 138 per 1000, >2 years 58 per 1000.

These are what B&D, 2012 Chapter 3 call "low hanging fruit" see also the 2014 Gates letter part 2 and Deaton, chapter 3 & 4.

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## Poverty Measures Review Sheet

Absolute Poverty Measures:	Is this poverty measure sensitive to the:					Other Names	ILO Poverty Compendium Name
	Incidence of Poverty	depth of Poverty	Severity of Poverty	Income** of poorest	incomes of non-poor		
Headcount or Poverty Rate (H)	Yes	No	No	No	No	Headcount Ratio	p(0)
Average Income shortfall (I)	No	Yes	No	No	No	Income Gap	
Poverty Gap (H*I)	Yes	Yes	No	No	No		p(1)
Sen Severity Index (S)	Yes	Yes	yes	No	No		
Gap Squared-aka *FGT( $\alpha = 2$ )	Yes	Yes	yes	Yes	No	FGT index	p(2)
Poverty Deficit	No	Yes	No	No	yes		
Relative poverty rate (H, I, H*I)	Yes	Yes	no		yes		

\*FGT: Foster-Greer-Thorbeck Index

\*\*most sensitive to income of poorest families

Inequality Measures	Definition	Comments
Inequality Ratio	Ratio of share* of top 20% or 10% to bottom 20%	Compares average income of rich to poor
Gini Coefficient	Gap between actual & perfect equality Lorenz curve	More sensitive to the middle class
Mean Log Deviation of income	Exactly what it says	Since gaps or deviations are squared, more sensitive to extremes (tails)
Log Standard Deviation	Similar to mean log deviation	of income or consp. distribution

\*same as the ratio of the average income of the top 20% to average income of bottom 20%

*The magic of the Washing machine*



# Women's Agency, well-being, & empowerment

1. *Women's right to basic necessities essential.... food and medical care— Missing women in China and India and Bangladesh*
2. **Women's empowerment**, legal protection, intra-household bargaining power, protection from rape and domestic violence... basic human rights... Universal education... MDG 2
3. **Women's agency is the right to control finances, own property, choose who and when to marry, to work outside the home, key is to control \$\$ and an independent source of income (full equal economic status)....**
4. Recent lack of Anglo agency is why Lady Mary's life is upended by the Titanic... and drives the plot of every Jane Austin novel...
5. Not who runs the government Ellen Sirleaf Johnson or wins a Nobel prize but who makes the decision who and when to marry, when to work and when not to work...



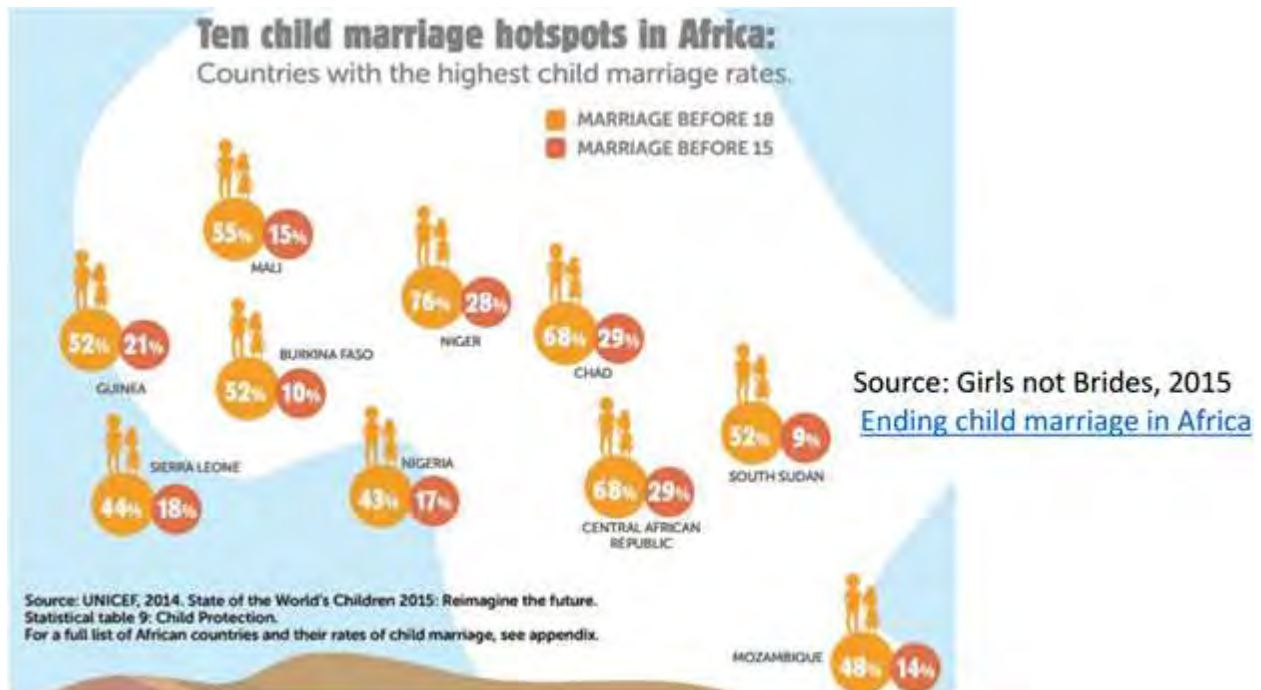
*Paradox: Women's agency seems to reduce poverty in LDCs but increases it in OECD ctys... ???*

## Sen on Agency vs well-being vs. empowerment

- *The concentration was mainly on women's well-being-and it was a much needed corrective..." but now "women are increasingly seen.... as active **agents of change**: the dynamic promoters of social transformations that can alter the lives of both women and men..." Sen, 1999, p. 189.*
- *'Understanding the agency role is thus central to recognizing people as responsible persons..... but also we act or refuse to act, and can choose to act one way rather than another. And thus we-women and men-must take **responsibility for doing things or not doing them.** Sen, 1999, p. 190.*
- *"...working outside the home and earning an independent income tend to have a clear impact on enhancing the social standing of a woman in the household and the society." Sen, 1999, p. 191*
- *Kabeer's 2001 book is "Free to choose" about Bangladeshi women in London who choose to work in the home while in BGD they work in factories...." See also Hans Rosling and Mohammed Yunus on the Bangladesh miracle...*

## Traditions & institutions reduce women's agency

- Lack of employment opportunities (or opposition to women's employment --- the Casavas in Nigeria case study, Kristof and Wudunn)
- Early marriage and the Dowry system in India and Bangladesh, girls not brides... ownership of land and assets, rights of widows...
- Lack of control over marriage, medical and child bearing decisions  
([Missing women](#), [Melinda Gates' TED talk](#).... )
- High U5MR very hard on women, anemia, stress of child birth on young women's health & status acute, see CGD [women's stats](#)
- Women in China and Rwanda and BGD ([Kristof and Wudunn Chapt 12](#))



### Recommended Readings

The view from the U.S. A week in the [Chai Feng sweatshop](#), Brooklyn, [1995 New York Times](#), Jane Lii  
The view from Bangladesh, see Naila Kabeer, *The Power to Choose: Bangladeshi Women's Labor Market Decisions in London and Dhaka*, [Chapter 11](#), Verso Press, London. Especially pages 367-87  
Conditional Cash Transfer programs: [Bolsa Familia in Brazil](#) , [Oportunidades in Mexico](#), and [Catching Hope 15 Examples of Selected Successful Action Programs](#)  
[UNICEF: The State of The World's Children Report 1997, Four Myths about Child Labor](#)  
[The "Northern Areas Reduction-of-Poverty Initiative" or NARI](#)