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| Title | Perverse Consequences of Well-Intentioned Regulation: Evidence from India's Child Labor Ban |
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| Abstract | While bans against child labor are a ubiquitous policy tool, there is very little empirical evidence on their effectiveness. In this paper, we examine the consequences of India's landmark legislation against child labor, the Child Labor (Prohibition and Regulation) Act of 1986. Using data from employment surveys conducted before and after the ban, and using age restrictions that determined whom the ban applied to, we show that the relative probability of child employment increases and child wages (relative to adult wages) decrease after the ban. Our main specification relies on comparing changes in work probabilities over time for children of the same age but with siblings who are rendered either eligible or ineligible for legal work when the ban is implemented. The increases in the probability of economic activity are largest for children in areas where (i) the industries targeted by the ban play a larger role in local labor markets and (ii) the probability of employer inspections are higher. These results are consistent with a theoretical model building on the seminal work of Basu and Van (1998) and Basu (2005), where families use child labor to reach subsistence constraints and where child wages decrease in response to bans, leading poor families to utilize more child labor. We also examine the effects of the ban at the household level. Using linked consumption and expenditure data, we find that along the margins of assets and share of staple goods in calorie consumption, households are worse off after the ban. |
| Keywords | |
| JEL | I38, J22, J82, O12 |