

# The Impact of Reciprocal Adult Labour and Child Labour in Rural Mozambique Households

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## Abstract

We examine the effects of the Ajuda Mtua (AM) reciprocal adult work programme on child labour and education. A possible reason for AM's introduction to the Nampula province of Mozambique, where child labour is used in farm production, is the failure of the labour and finance markets. We calculate that AM reduces child labour by eight percentage points using difference in differences. In our view, AM lowers child labour by offering inexpensive adult labour and maybe raising farm output. The effects of Village Saving and Loan Associations (VSLA) and the combined effects of AM and VSLA are compared to the results of AM (VAM). Both VSLA and VAM do not lessen child labour. If credit is applied in a way that raises labour demand over what AM labour can support market failures may be more successful at reducing child labor than addressing financial market failures. Results on schooling are mixed.

**Keywords:** Child labour • Reciprocal • Labor • Sub-Saharan Africa

## Introduction

Child labor will affect approximately one in ten children worldwide and one in four children in sub-Saharan Africa by 2020. Between 2012 and 2020, child labor rates worldwide have decreased steadily, but they have increased in sub-Saharan Africa. In 2020, agriculture accounted for 81.5 percent of child labor in sub-Saharan Africa, with children frequently working for free on the family farm. Failures in the labor market are a big reason why farm child labor is so common. When households are unable or unwilling to exchange labor through the labor market, this is known as a labor market failure. If the agricultural cycles that farm families experience are synchronized, they may not be able to exchange labor: The peak and trough of labor demand and supply occur simultaneously. In this scenario, households may use child labor as a buffer during times of high demand for workers. If there are no cash-based labor markets or it is impossible to find external (non-household) labor, there will be greater pressure to use child labor as a buffer. Even if household agricultural cycles are not synchronized and external labor is available, households may still prefer child labor and be unwilling to employ it. This can happen if there isn't enough money to pay for external labor or if that labor is too expensive, like when search and monitoring costs less. Long-term personalized contracts and sharecropping are two suggested solutions that encourage the use of external labor. However, there is a lack of empirical evidence regarding these programs' effects on farm labor, including child labor [1].

## Description

A program that directly addresses problems in the labor market is

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examined in this paper to see how it affects child labor. In the Nampula province of Mozambique, we test the introduction of the reciprocal adult labor program "Ajuda Mtua" (AM). AM encourages adult labor exchanges between neighboring households in exchange for the promise of reciprocity rather than payment. Our main conclusion is that AM reduces child labor<sup>2</sup>. We contend that AM likely reduces child labor in two ways. First, by providing adult labor that is free at the point of use, has low search costs, and can be temporarily allocated to times in the agricultural cycle when it has the highest returns, AM can help cover labor shortages in times when child labor is typically used as a buffer. Second, through economies of scale, the sharing of best practices' information, and a decrease in shirking, AM can increase adult labor productivity and alleviate pressures on child labor. As members frequently work on each other's farms, trust between them may enhance these productivity gains [2-5].

In addition, this is the first study to examine the effect of AM on school enrollment and absenteeism. We discover that AM has no effect on enrollment but does reduce absenteeism from school. Since both activities can compete for children's time, there may be a trade-off between child labor and education. There is a strong link between child labor and low school enrollment and attendance, and previous research has demonstrated that education can improve when child labor is reduced. However, education is not the only means of avoiding child labor. Particularly when school returns are low, kids' time may likewise be spent in exercises that are neither work nor tutoring. As a result, the trade-off between education and child labor might not be very strong. Lastly, there are situations in which child labor and education complement one another: Child labor and education may rise or fall simultaneously when child labor income is used to cover school expenses [6].

When households have access to both AM and VSLA, the effects of AM are compared to those of Village Saving Associations (VSLA) and the combination of AM and VSLA (VAM). Save the Children introduced AM, VSLA, and VAM to Nampula as part of the same study, enabling comparisons between the programs. With the VSLA, a group of households can pool their incomes into a single savings account that can be accessed with low interest rates. Nampula did not have any formal or informal financial markets prior to the implementation of VSLA. We find that VSLA and VAM do not reduce child labor, possibly due to high credit usage increasing household business and, consequently, labor demand. VSLA addresses financial market failures by allowing households to save and borrow in a safe and reliable environment<sup>3</sup>. Additionally, we discover that VSLA and VAM do not reduce school absenteeism to the same extent as AM. Both VSLA and VAM have no effect on students' enrollment in schools. In line with our conclusion that addressing labor market failures is more effective

than addressing financial market failures, this is consistent with the existing body of research that has concluded that addressing financial market failures has a limited impact on education [7,8].

We employ a difference in differences design to determine the effects of AM, VSLA, and VAM on education and child labor. The common trends assumption underpins identification: The treated and control households' outcomes would have been identical without the treatment. We do the following to help satisfy the common trends assumption. Exogenous shocks between the baseline and endline are first controlled for. Second, we eliminate baseline covariates that are likely to be correlated with the outcomes' dynamics. Using propensity score weights, we accomplish this parametrically and semi-parametrically: Qualitatively, both approaches produce the same outcomes [9,10].

## Conclusion

AM, VSLA, and VAM (the combination of AM and VSLA) were introduced to Nampula by Save the Children: a poor rural province in the North East of Mozambique with a subsistence agriculture-based economy and weak formal labor and financial markets<sup>6</sup>. Although there are no official statistics on child labor in Nampula, for the entirety of Mozambique, 22% of children between the ages of five and fifteen were involved in child labor at the time of the programs' introduction, with the proportion of working children increasing with age. Despite the Child Labor Act of 2008, which outlawed all forms of labor for children under the age of 15, and the Labor Law, which states that individuals between the ages of 15 and 18 should not be employed in activities that could be harmful to their health and well-being, this continues to be the case. In rural areas, child labor was more prevalent: Child labor was done by 25% of children between the ages of five and 15 in rural areas and 15% in urban areas. The majority of children worked for their parents: The family business accounted for over 70% of child labor, with the remainder performing household chores. There was very little child labor outside of families.

## Acknowledgement

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## Conflict of Interest

None.

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