

# **DISCUSSION PAPERS IN ECONOMICS**

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Child Labor and Schooling in a Low Income Rural Economy

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 \end{array}$$

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$z_i$

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$$y = y(l_{ym}, l_{yf}, n_s l_{ys}; h_m, h_f, \dots) = (?)$$

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$$y = y(l_{ym}, l_{yf}, n_s l_{ys}; h_m, h_f, \dots; h_s = h(l_{ss}, b; s$$

$$l_{js} = l_{js}(n_p, n_s, s, z_m, z_f, h_m, h_f, \dots, m, \dots, = s, y \quad =)?$$

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<sup>10</sup> Chiappori et al. (1998), for example, make use of the relative sex ratio as a proxy for the situation in the marriage market.

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$$l_s = 1 \text{ if } l_s^* > \mu_s, 0 \text{ otherwise} \quad = / 9?$$

$$l_w = 1 \text{ if } l_w^* > \mu_w, 0 \text{ otherwise} \quad = / >?$$

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<sup>21</sup> It is likely that parents do not report their children as working if the number of hours worked is low. As long as this threshold level of hours of work ( $\mu_w$ ) is the same for all households, (5.4) would be simply replaced by  $l_w = 1$  if  $l_w^* > \mu_w$ , 0 otherwise, without affecting the results. However, if some parents deliberately misreport (i.e. they do not report the child to be working even when hours worked by the child is above  $\mu_w$ ), the resulting coefficient estimates are inconsistent (see Hausman *et al.* 1998). Despite its potential relevance, this issue will not be further explored in this paper.



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<sup>35</sup> The wage equation for mothers, however, is not estimated very precisely.



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Significance levels in parenthesis. Tests of unitary preferences are Wald test of joint significance. Tests of Pareto efficiency are non-linear Wald tests of equality of the ratio of effects of each pair of distributional factors across the school and work equations.

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The estimated correlation between the work intensity probit and the work participation probit,  $\rho$ , is not significant, indicating that there is no selection bias.

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Marginal effects are evaluated at the means of the variables, and represent percentage changes in the relevant probability resulting from a unit increase in the relevant variable (1% increase in the case of credit).

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