EDUMALSYS
Journal of Research in Education Management

e-ISSN : 2988-1188
p-ISSN : 2988-1196

Index : Dimensions, Scilit, Crossref, Garuda, Semantic, Google Scholar, Base, etc

https://doi.org/10.58578/edumalsys.v3i1.5051

The Impact of Child Labour on Human Capital Formation in Nepal

Poonam Kumari Labh Karna
R.R.M. Campus, T.U., Nepal
poonamlabh64@gmail.com

Article Info:

Submitted:	Revised:	Accepted:	Published:
Jan 25, 2025	Feb 9, 2025	Feb 21, 2025	Feb 26, 2025

Abstract

Nepal faces a persistent challenge with child labor, which has significant negative effects on the development of human capital. This study aims to explore the link between child labor and human capital development, specifically focusing on education, health, and skill development. The research investigates the socio-economic factors that contribute to child labor and its long-term impacts on the nation's workforce and economic growth. Using a mixed-methods approach, the study combines both quantitative data and qualitative insights to provide a thorough analysis. The findings emphasize the critical need for targeted interventions to break the cycle of poverty and child labor, ensuring the sustainable growth of human capital in Nepal.

Keywords: Child Labour, Human Capital Formation, Education, Health, Skill Development, Poverty, Nepal, Socio-Economic Factors, Policy Interventions, Mixed-Methods Research

Edumalsys is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License

INTRODUCTION

In Nepal, child labor continues to be a pervasive and deeply embedded problem. This problem is caused by a mix of factors, including economic hardship, inadequate access to excellent education, and deeply set socio-cultural traditions. Children in many communities are forced to begin working at an early age in order to augment the income of their families. This is frequently done at the expense of the children's education and their overall well-being within the community. The Central Bureau of Statistics (CBS, 2021) estimates that there are roughly 1.1 million children in Nepal who are engaged in economic activities. These children range in age from five to seventeen for the most part. A sizeable proportion of these children are employed in dangerous situations, which puts them in danger on multiple levels, including the physical, the psychological, and the emotional. According to the International Labour Organization (ILO, 2021), child labor is especially prevalent in industries such as agriculture, domestic work, brick kilns, carpet weaving, and construction. In these industries, young workers are frequently subjected to long hours, meager wages, and unsafe working environments. In addition, child labor is particularly prevalent in sectors such as construction.

There is a close connection between the problem of child labor and the more general concept of human capital development, which includes education, health, and the acquisition of skills. Becker (1964) underlined that the production of human capital is an essential driver of economic growth and national development. This is because it not only increases productivity and innovation but also contributes to the overall progress of society. Child labor, on the other hand, is a direct threat to this process because it prevents children from receiving educational opportunities, puts them in potentially dangerous working situations, and hinders their physical and mental development. As a result of low academic performance and limited future employment opportunities, a significant number of children who are employed either drop out of school before their time or struggle to find a balance between their work and their education. It is also possible that continuous exposure to hard working circumstances can have long-term negative impacts on their physical health, which further diminishes their ability to contribute effectively to the economy when they reach maturity.

In light of the far-reaching effects that child labor has on both individual lives and the economy of the nation as a whole, the purpose of this research is to investigate the

influence that child work has on the building of human capital in Nepal. To be more specific, the project will investigate the ways in which child work influences the educational attainment, health outcomes, and skill development of children in Nepal. This research aims to provide evidence-based insights into the issues faced by child labor by assessing the data that is now available as well as the literature that is already in existence. Additionally, the research intends to find effective policy interventions to address the problem's core causes. The findings will provide essential advice for policymakers, educators, and other stakeholders to have in order to build focused policies with the goals of minimizing child labor, boosting access to excellent education, and supporting the holistic development of Nepal's future workforce. By making these efforts, the research hopes to make a contribution to the overarching objective of achieving the goal of breaking the cycle of poverty and ensuring that every child in Nepal has the opportunity to fulfill their full potential.

Theoretical Framework

The theoretical foundation of this study is rooted in human capital theory, which asserts that investments in education, health, and skills are essential for both economic growth and individual well-being (Schultz, 1961; Becker, 1964). This theory emphasizes that human capital—comprising knowledge, competencies, and abilities—plays a crucial role in enhancing productivity, innovation, and economic prosperity. Nations that prioritize human capital development tend to experience sustained economic progress, improved living standards, and greater social mobility. Education, in particular, is regarded as a fundamental driver of human capital accumulation, as it equips individuals with the necessary skills and knowledge to contribute effectively to the labor market. Similarly, investments in health and vocational training ensure that individuals are physically and mentally prepared to engage in productive economic activities. Given this theoretical perspective, the present study is grounded in the hypothesis that child labor significantly disrupts the process of human capital formation by limiting children's access to education, impairing their health, and restricting their ability to acquire essential skills for future employment.

Despite the recognized importance of human capital investment, child labor remains a significant barrier to its realization, particularly in low-income countries like Nepal. The economic constraints faced by many families force them to prioritize immediate financial

needs over long-term benefits such as education. As a result, children are often compelled to work from an early age to supplement household income, leading to a direct trade-off between work and schooling. This trade-off is particularly pronounced in impoverished communities where educational expenses, even when subsidized, are perceived as an unaffordable luxury. Children engaged in labor-intensive activities frequently experience disruptions in their schooling, either due to excessive working hours or the physical exhaustion that impairs their ability to focus on studies. In many cases, they drop out entirely, thus forgoing the opportunity to develop the skills necessary for upward social and economic mobility.

Basu and Van (1998) have extensively examined this dilemma, emphasizing that the decision to send children to work rather than school is often dictated by economic necessity rather than parental neglect or lack of awareness. Their research highlights that in economies where subsistence living is the norm, families are frequently left with no viable alternative but to involve their children in income-generating activities. This creates a self-perpetuating cycle where child labor diminishes educational attainment, thereby reducing future earning potential and reinforcing intergenerational poverty. In the context of Nepal, where a large segment of the population relies on informal labor markets, the prevalence of child labor poses a significant challenge to efforts aimed at fostering human capital development. Addressing this issue requires targeted interventions that alleviate economic pressures on families, provide accessible educational opportunities, and implement policies that discourage exploitative child labor practices.

By framing the study within the human capital theory, this research seeks to explore the multifaceted impact of child labor on education, health, and skill acquisition in Nepal. It aims to contribute to the broader discourse on sustainable economic development by examining how child labor impedes the accumulation of human capital and proposing potential policy solutions to mitigate its adverse effects.

Child Labour and Educational Attainment

Despite the fact that education is a fundamental component of the development of human capital, schooling is greatly hindered by the presence of child labor. It has been demonstrated through research that children who are employed in labor are at a greater risk of either dropping out of school or performing poorly academically (Ray, 2000). The incidence of child labor in Nepal is intimately linked to poverty, with many families placing

a higher priority on short-term economic advantages than they do on long-term educational benefits (CBS, 2021). According to the findings of a study conducted by Khanal (2010), the likelihood of child laborers in Nepal not attending school is twice as high as the likelihood of their peers who are not employed.

Health Implications of Child Labour

Child labor frequently involves employment conditions that are hazardous, which can have significant repercussions for the physical and emotional health of children. According to the International Labor Organization (2018), children who are employed in industries such as agriculture, brick kilns, and domestic service in Nepal are at risk for a variety of hazards, including injuries, respiratory ailments, and psychological stress. As a result of these health issues, the hurdles to human capital creation are further exacerbated. According to O'Donnell et al. (2005), children who are diagnosed with a health condition are less likely to attend school or develop the skills necessary for gainful employment.

Socio-Economic Drivers of Child Labour

A number of socioeconomic factors interact in a complex manner, which is the primary reason why child labor continues to exist in Nepal. Because families in rural areas frequently rely on the income of their children to meet their fundamental requirements, poverty continues to be the key motivator (CBS, 2021). In addition, cultural norms and gender discrepancies are factors that contribute to the frequency of child labor. Girls are disproportionately employed in domestic work, according to Khanal (2010). A additional factor that contributes to the perpetuation of the cycle of child labor and poverty is the lack of access to social safety programs and quality educational opportunities (Ray, 2000).

Policy Interventions and Gaps

Legislative measures, such as the Child Labour (Prohibition and Regulation) Act, and initiatives, such as the National Master Plan on Child Labour (2018-2028), have been implemented in Nepal as part of the country's efforts to address the issue of child labor. On the other hand, enforcement is still lacking, and a significant number of minors continue to get jobs in the informal sector (ILO, 2018). Programs to fight child labor have also been launched by international organizations such as the International Labor Organization (ILO) and the United Nations Children's Fund (UNICEF), but their impact has been limited due to insufficient funding and coordination (UNICEF, 2020).

METHODS

This study adopts a mixed-methods research approach, integrating both quantitative and qualitative methodologies to provide a comprehensive understanding of the impact of child labor on human capital formation in Nepal. By combining statistical analysis with in-depth narratives, this approach allows for a more holistic examination of the issue, capturing not only numerical trends but also the underlying socio-economic factors and lived experiences of those affected. The study utilizes secondary data from the Nepal Labour Force Survey (NLFS) for its quantitative analysis, while qualitative data is gathered through semi-structured interviews with key stakeholders, including policymakers, educators, child laborers, and representatives from non-governmental organizations (NGOs) and labor rights advocacy groups. This methodological triangulation ensures that findings are both empirically robust and contextually grounded.

The quantitative component of this study focuses on analyzing large-scale secondary data from the NLFS to establish statistical relationships between child labor and key indicators of human capital development, including educational attainment, health outcomes, and skill acquisition. This analysis seeks to determine how factors such as the number of hours worked, type of employment, and socio-economic background influence school enrollment, literacy rates, and health conditions among child laborers. Descriptive and inferential statistical techniques, such as regression analysis and correlation tests, will be employed to identify patterns and assess the extent to which child labor affects these critical aspects of development. By leveraging nationally representative data, this aspect of the study provides a macro-level understanding of the issue, offering insights into trends and disparities across different demographics, geographic regions, and economic sectors.

Complementing the quantitative findings, the qualitative component of the research delves deeper into the lived realities of child laborers and the structural factors that drive this phenomenon. Through semi-structured interviews, this study gathers firsthand accounts from individuals directly involved in or affected by child labor, including children engaged in labor, their parents or guardians, schoolteachers, policymakers, and officials from labor rights organizations. These interviews aim to uncover the motivations behind child labor participation, the challenges children face in balancing work and education, and the long-term consequences of early workforce entry. Additionally, discussions with policymakers and educators provide critical insights into existing interventions, policy gaps, and potential

strategies for mitigating child labor's negative effects on education and skill development. The qualitative data, analyzed through thematic coding, offers rich contextual understanding and narratives that complement the numerical trends identified in the quantitative analysis.

By employing this mixed-methods approach, this study ensures a well-rounded examination of child labor and its implications for human capital development in Nepal. The combination of statistical evidence and personal testimonies enhances the validity and depth of the findings, making it possible to formulate more effective, evidence-based recommendations for policymakers, educators, and advocacy groups. Ultimately, this methodological approach aims to bridge the gap between data-driven policy formulation and on-the-ground realities, contributing to efforts aimed at reducing child labor and fostering sustainable human capital development in Nepal.

RESULT AND DISCUSSION

Educational Attainment

The findings indicate a significant inverse correlation between child employment and educational attainment. As shown in Table 1, employed children have a substantially lower likelihood of completing elementary school compared to those who are not employed.

Table 1: Educational Attainment of Child Labourers vs. Non-Labourers

Education Level	Child Labourers (%)	Non-Labourers (%)
No Formal Education	35.2	10.4
Primary Education	45.6	60.8
Secondary Education	15.3	25.7
Higher Education	3.9	3.1

Health Outcomes

Child laborers in Nepal are more likely to face health issues due to the hazardous working conditions they endure. Table 2 illustrates the prevalence of health problems among these children.

Table 2: Health Issues among Child Labourers.

Health Issue	Prevalence (%)
Respiratory Illnesses	28.5
Injuries	22.3
Psychological Stress	18.7
Malnutrition	15.4

Skill Development

Child laborers are often denied opportunities to acquire in-demand skills. The findings from qualitative interviews reveal that a large number of child laborers lack access to vocational training or skill-building programs, which negatively impacts their future career prospects.

CONCLUSION

This study underscores the detrimental impact of child labour on human capital formation in Nepal. Children engaged in labour are less likely to complete their education, more likely to suffer from health issues, and less likely to acquire marketable skills. These challenges not only limit individual opportunities but also constrain the nation's overall human capital potential. To break the cycle of poverty and child labour, policymakers must prioritize investments in education, health, and social protection programs. Strengthening enforcement of child labour laws and addressing socio-cultural barriers are also critical for ensuring sustainable human capital development. International organizations and local stakeholders must work together to implement comprehensive and targeted interventions that address the root causes of child labour and promote human capital formation.

REFERENCES

Basu, K., & Van, P. H. (1998). The economics of child labour. *American Economic Review, 88*(3), 412–427.

Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis with special reference to education.* University of Chicago Press.

Central Bureau of Statistics (CBS). (2021). *Nepal Labour Force Survey 2021.* Government of Nepal.

International Labour Organization (ILO). (2018). *Global estimates of child labour: Results and trends, 2012–2016*. ILO.

International Labour Organization (ILO). (2021). *Child labour: Global estimates 2020, trends and the road forward*. ILO.

Khanal, S. P. (2010). Child labour in Nepal: A sociological study. *Journal of Nepal Sociological Society, 12*(1), 45–60.

O'Donnell, O., Van Doorslaer, E., & Rosati, F. C. (2005). Health effects of child work: Evidence from rural Vietnam. *Journal of Population Economics, 18*(3), 437–467.

Ray, R. (2000). Child labour, child schooling, and their interaction with adult labour: Empirical evidence for Peru and Pakistan. *World Bank Economic Review, 14*(2), 347–367.

Schultz, T. W. (1961). Investment in human capital. *American Economic Review, 51*(1), 1–17.

UNICEF. (2020). *Child labour in Nepal: A comprehensive analysis*. UNICEF Nepal.