

# Cash Transfers and Child Labour: An Intriguing Relationship

by *Guilherme Issamu Hirata,*  
*International Poverty Centre*

**Conditional cash transfer** (CCT) programmes provide cash to poor households. In return, the households are expected to meet the conditionalities attached to schooling, among others. Several evaluations have found positive impacts on primary school attendance. One issue on which there is a heated debate is the impact of CCTs on child labour. Because the programmes affect children's time allocation, some impact on child labour is always expected. But it is not as evident as the impact associated with school attendance.

Besides the lack of child labour-related conditionalities in most CCT programmes, the impact, if any, depends on a variety of factors. These include the size of the transfers; the relative amount of child labour's monetary and non-monetary contributions; parents' preference for education; the type of education-related conditionalities attached to CCT programmes; and the way those conditionalities are enforced.

A recent impact evaluation of Paraguay's CCT pilot programme, *Tekoporã*, presents evidence that child labour is positively correlated to mothers' labour supply. This seems counterintuitive, since a frequently cited explanation for child labour is that poor households rely on it to secure a minimum level of income. Since a household's budget constraint decreases when the mother goes to work, it has been argued, the income generated by the child is less necessary.

Becker's "Rotten Kid Theorem" can provide one explanation for this counterintuitive correlation. Roughly speaking, suppose that the head of a household is altruistic, in the sense that he distributes the household income among all members instead of keeping the money for himself (in fact, the money is usually given to the mother because mothers are thought to be more altruistic than fathers). Then, according to the theorem, the other household members may be expected to increase their working activities in order to augment the household's income, and consequently their own. In other words, even children realise that engaging in income-generating activities would immediately increase their own well-being. This result is something that has received little attention so far— that a child has a stake in deciding whether or not to engage in working activities.

In this light, the child's preferences play a key role in determining child labour. Instead of assuming that parents send their children to

work, one can think the incentive that drives the mother to work is the same that influences the child. For instance, a household might own a small business which, after some investments, demands a bigger labour force. Both mother and child may react in the same way by seeing an opportunity to earn income and going to work in order to meet this demand.

And what if the source of the aforementioned investment is a cash transfer? The CCT programme has an ambiguous impact on child labour. On the one hand, the increased opportunity cost of not attending school implies a reduction in child labour. On the other hand, there can be a somewhat contrary effect.

The persistence of child labour has different sources. For instance, it could be seen as a form of skills development. Alternatively, work might be valued more than schooling if children live in societies where there is a positive stigma attached to child labour. However, when the child's preferences highly determine whether he or she engages in labour activities, there is another issue to deal with: children's preferences could run counter to parents' preferences.

If so, the incentive provided by a cash transfer may not be sufficient to reduce child labour. Indeed, the evaluation of Paraguay's *Tekoporã* revealed that CCT programmes could indirectly stimulate child labour. Although more evidence needs to be gathered, there are indications that such a negative outcome might occur. The CCT programme would have to circumvent this situation.

Brazil's successful Child Labour Eradication Programme (PETI) targets working children. It demands that a child stop working in order for the household to receive benefits. If the objective of CCT programmes is to fight child labour, then proper targeting, child labour-related conditionalities, stronger incentives and improved surveillance are issues that have to be considered. These features of programme design could also lead to improvements on the supply side. For instance, more and better schools could be the result of a rising demand for services.

#### References:

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