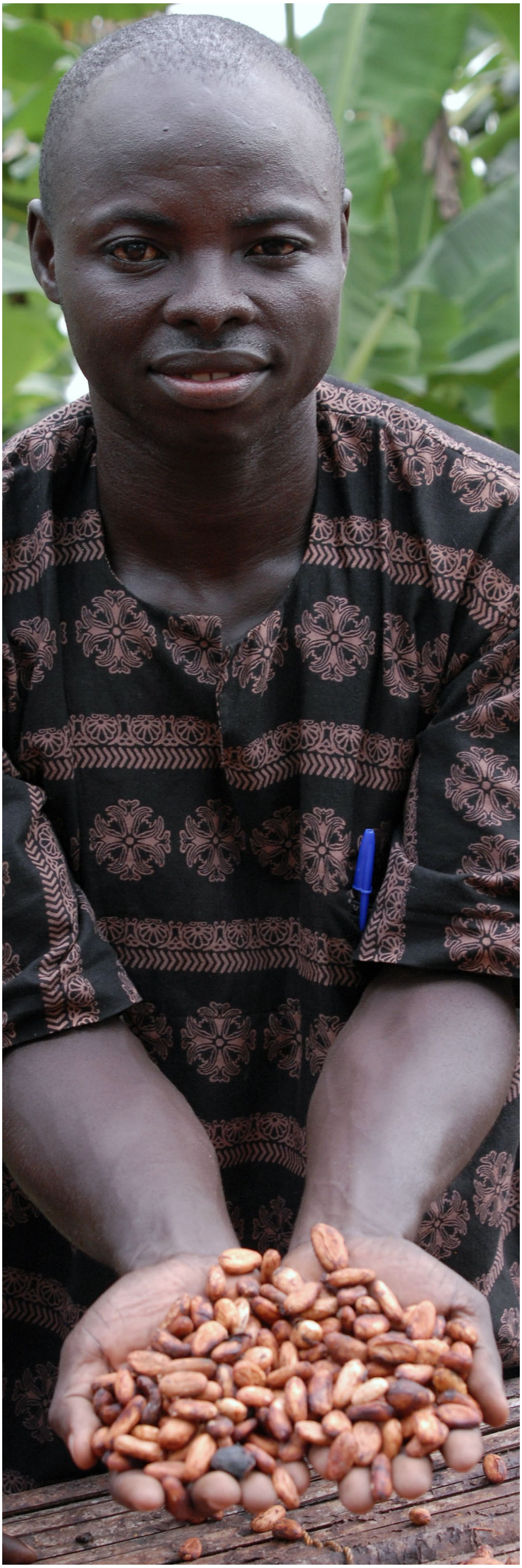

International COCOA Initiative

The effects of income changes on child labour

A review of evidence from smallholder agriculture

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EXECUTIVE SUMMARY

This desk study reviews the literature on the relationship between income changes and child labour, focusing on smallholder agriculture in developing countries. While the initial aim was to understand this relationship in the specific context of cocoa-farming in West Africa, limited data availability led the scope to be broadened.

The study seeks to answer the following questions:

- How does the use of child labour respond to changes in farmers' income?
- What are some of the factors that shape this relationship? (eg. the gender and age of the children, baseline income levels, and asset ownership)

Understanding these linkages can inform policy making and the design of interventions aiming to strengthen smallholder farmers' incomes, to ensure they support the reduction of, or at least avoid increases in, child labour.

This study selects peer-reviewed publications that apply sound methodologies to identify the causal effect of changes in income on child labour. Out of more than 400 published articles on income and child labour in developing countries, some 50 "core" studies meet minimum quality criteria and are summarized in this review. The review looks at effects of two broad categories of income changes:

(i) **income increases or decreases due to unexpected shocks**, such as price changes, crop losses, unpredictable weather fluctuations, illness or death in the household, and international impacts such as unexpected changes in trade flows, foreign direct investment or remittances

(ii) **income increases resulting from policies or programmes,** such as cash transfers, in-kind transfers, school subsidies, financial support and public works.

This review of the literature shows that the relationship between income changes and child labour is complex. While income increases are associated with *reductions* in child labour in some situations, in other situations, they can result in *increases* in child labour. The latter situation is often due to enhanced earning opportunities that also increase the value of children's time spent on work.

Key findings

The **relationship between income changes and child labour is complex and the effects are not unidirectional.**

Overall, the results from the price shocks literature are quite nuanced: a **<u>negative</u> shock** that reduces the earning capacity of small farmers tends to **increase child labour**, indicating that unexpected income loss can pose a particular risk as children may act as a "buffer" against shocks. Out of 16 studies that examined negative shocks, 13 found unambiguous increases in child labour. Examples from Tanzania and India show that if earning opportunities decrease, for example in times of droughts, or due to the absence of adult supervision, even if there is more poverty, child labour can also fall.

The **effect of a <u>positive</u> shock depends on the context and mediating factors such as asset ownership**. Out of 11 studies that examined positive shocks, only four found unambiguous reductions in child labour. Studies in which positive shocks caused child labour to increase include two of price rises in Brazil and two examples of increased rainfall in India and Tanzania. **Overall, the findings concerning positive income shocks indicate that whenever the value of**

agricultural activities increases, there is a potential risk that child labour will increase as well.

Programmes and policies that aim to increase household income also show nuanced effects on child labour. Out of 22 programmes for income support, 12 resulted in unambiguous reductions in child labour.

Cash transfers, the type of intervention for which the most evidence is available, **are generally effective to reduce child work, especially children's paid work, but some caveats still apply.** This review identified 10 different cash transfer programmes that were rigorously evaluated for their impact on child labour. The majority (6/10) found unambiguous decreases in child labour. A further three found mixed results, with some reductions in child work but instances of increased work as well. **Both conditional and unconditional cash transfers typically reduce child work for pay outside of the home, even though some studies have found that they can increase children's participation in work on family farms, in family businesses and on household chores.** The evidence suggests that cash transfers tend to work better if they provide a sufficiently large increase in income to make up for the lost income provided by children. The effects of cash transfers differ by gender: **reductions in child labour are generally more significant for boys, in some cases, no improvements were observed for girls.**

Evidence on in-kind transfers is still limited, showing mixed results. In two studies out of three, these programmes effectively reduced child labour, but in the remaining two, child labour increased. School subsidies, school construction and direct incentives for pupils to attend school appear more effective in increasing school attendance than reducing child labour – such measures might be ineffective or even backfire if they substantially free up children's time.

Microfinance support do not seem to be the most effective instrument to reduce child labour, but they do not have adverse effects. Out of four studies, two showed reductions in child labour (Pakistan and Morocco), one showed no effect (Mexico), and one found mixed results with only some reductions in child labour for girls (Ethiopia). All studies focused on microcredit, except for the study from Pakistan, which shows that health insurance decreases child work (in line with the literature showing that health shocks can enhance child labour).

Overall, the **effects of active labour market interventions**, such as public works programmes to generate employment opportunities, or business trainings to support micro-entrepreneurship, **on child labour have not been sufficiently studied to date. The three identified studies yield mixed results:** one case where new employment opportunities for adults decreased child labour (Ethiopia), one where child labour stayed the same (Nicaragua), and one when child labour increased due to a public works programme, since adults shifted to the works programme and older children substituted for adults in their previous work (India).

This review highlights several significant knowledge gaps about the interventions that work best in specific contexts to enhance farmers' livelihoods while reducing child labour. While for most types of interventions the existing evidence is not conclusive, an important take-away from the literature is that under certain circumstances, income increases are associated with *a risk of increased child labour* . Multiple studies show that child labour is driven not only by poverty, but also by earning opportunities, supported by the finding that in some situations, child labour increases with income. Overall, various types of activities to increase smallholder farmer incomes have not been rigorously evaluated with respect to their effects on child labour: more research on these interventions is needed, as is more research specific to the cocoa sector.