

Child Labour and Economic Vulnerability: Examining the Intergenerational Cycle of Poverty in Developing Economies

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Abstract: Child labour remains one of the most stubborn markers of economic deprivation in the developing world, and the relationship it holds with poverty is rarely one-directional. This paper sets out to examine how household economic vulnerability pushes children into work, and how that early labour, in turn, narrows the very opportunities that might have let a family climb out of poverty in the next generation. Drawing on ILO-UNICEF global estimates, World Bank poverty data, and a body of empirical literature spanning Latin America, Sub-Saharan Africa, and South Asia, the paper argues that child labour and poverty are locked in a mutually reinforcing loop rather than a simple cause-and-effect chain. The analysis shows that although the global number of children in child labour fell from roughly 246 million in 2000 to 138 million in 2024 (ILO & UNICEF, 2024), the burden has become increasingly concentrated in Sub-Saharan Africa, where population growth has outpaced the rate of decline. Household-level evidence from Brazil, Egypt, and Ethiopia indicates that children whose parents worked as children are themselves substantially more likely to enter the labour force early, which supports the existence of what economists have termed a child labour trap (Emerson & Souza, 2003; Basu & Van, 1998). The paper also reviews the record of policy interventions, particularly conditional cash transfer programmes, and finds that while they raise school enrolment fairly reliably, their effect on reducing child labour hours is considerably more mixed. The paper closes with a set of policy recommendations centred on social protection floors, agricultural productivity investment, and demand-side interventions in supply chains.

Keywords: *child labour, intergenerational poverty, economic vulnerability, developing economies, social protection, human capital, conditional cash transfers*

1. INTRODUCTION:

Walk through a market in Kano, a brick kiln outside Lahore, or a cocoa farm in the Ivorian interior, and there is a fair chance you will see children working. Not playing at work, not helping out for an afternoon, but working in the sense that matters economically: producing value that a household depends on to survive the week. The International Labour Organization and UNICEF estimated that at the start of 2024 there were still 138 million children aged 5 to 17 engaged in child labour worldwide, of whom 54 million were doing work classified as hazardous (ILO & UNICEF, 2024). That is a decline from the 160 million recorded in 2020 and a much steeper decline from the 246 million recorded at the turn of the millennium, but the improvement has not been shared evenly across regions, and in the region that matters most for the scale of the problem, Sub-Saharan Africa, the absolute number of child labourers has barely moved in over a decade.

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The purpose of this paper is not simply to catalogue how widespread child labour remains, though the data in Section 3 does that in some depth. The more difficult and, I would argue, more important question is why child labour persists so stubbornly in some places even as national incomes rise, and why it so often reappears generation after generation within the same families and the same communities. The economics literature on this question has, over the past twenty-five years, moved away from viewing child labour purely as a symptom of low household income and toward a framework in which child labour is both a consequence of poverty and one of its causes. This is the intergenerational cycle referenced in the title of this

AND ENGINEERING TRENDS

paper: poor households send children to work because they cannot afford not to, that work displaces schooling and erodes health, and the children grow into adults with lower earning capacity who, when they themselves become parents, face the same constrained choice with their own children (Basu & Van, 1998; Emerson & Souza, 2003).

This paper proceeds in nine sections. Section 2 reviews the theoretical literature on child labour and poverty, focusing in particular on the Basu-Van luxury axiom model and on human capital theory as it applies to the intergenerational transmission of poverty. Section 3 presents the current global and regional data on child labour prevalence, drawing on the 2020 and 2024 ILO-UNICEF Global Estimates. Section 4 examines the mechanisms through which economic vulnerability at the household level translates into child labour decisions, including income shocks, credit constraints, and the absence of social protection. Section 5 turns directly to the evidence on intergenerational persistence, reviewing household panel studies from Brazil, Egypt, and elsewhere. Section 6 offers regional case studies of Sub-Saharan Africa, South Asia, and Latin America. Section 7 evaluates the record of policy responses, with particular attention to conditional cash transfer programmes. Section 8 discusses the limitations of the existing evidence base, and Section 9 concludes with policy recommendations.

1.1 Defining the Problem

It is worth being precise about terms at the outset, since "child labour" is a narrower category than "working children." The ILO defines child labour as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to physical and mental development; this excludes light work of a few hours by older adolescents that does not interfere with schooling, and it includes as its most severe subset "hazardous work," defined as work likely to harm the health, safety, or morals of a child (ILO & UNICEF, 2021). Roughly 5.5 million children aged 5 to 11 are in child labour today for every 100 million children in that age bracket, and children in this youngest cohort now make up just over half of the global total, a fact the 2020 Global Estimates report described as one of its more troubling findings because it signals labour force entry happening earlier in the life course rather than later (ILO & UNICEF, 2021).

1.2 Why Economic Vulnerability, Not Just Poverty

The paper deliberately uses the phrase "economic vulnerability" rather than "poverty" in its title, and the distinction matters for the argument that follows. Poverty, as typically measured, is a stock concept: a household's income or consumption falls below some threshold at a point in time. Vulnerability is closer to a flow concept, capturing a household's exposure to the risk of falling into poverty, or falling deeper into it, following a shock such as a bad harvest, an illness, or a spike in food prices. The ILO's own 2013 World Report on Child Labour made this distinction central to its analysis, arguing that child labour responds not only to the level of household income but to the household's capacity to absorb shocks without resorting to child work as a coping mechanism (ILO, 2013). A middle-income household with no access to credit, no insurance, and no cash transfer programme to fall back on can be just as likely to pull a child out of school after a bad season as a household that is poor in an absolute sense every year. This framing, developed further in Section 4, helps explain why child labour does not decline in lockstep with GDP growth.

2. Theoretical Framework

Economists did not always treat child labour as an economic decision at all; for much of the twentieth century it was written about mainly as a legal and moral problem, something to be abolished by statute rather than explained by models of household behaviour. That changed substantially from the late 1990s onward, when a handful of papers reframed child labour as the outcome of a constrained household optimisation problem, which opened the door to thinking about policy in terms of relaxing the constraints rather than simply banning the outcome.

2.1 The Luxury Axiom and the Basu-Van Model

The most influential of these papers is Basu and Van (1998), which built a model around two behavioural assumptions. The first, the "luxury axiom," holds that a household will send its children to work only if the household's non-child income falls below some subsistence threshold; child labour, in this view, is not something parents want for its own sake but something they resort to when adult income alone cannot meet basic needs. The second assumption, the "substitution axiom," holds that child and adult labour are substitutes in production, so that when child labour is withdrawn from the market, adult wages tend to rise to

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absorb the slack. Together these two assumptions generate a striking result: an economy can settle into either of two stable equilibria at the same underlying wage structure. In the "good" equilibrium, children stay in school, adult labour supply is higher, and adult wages are high enough to keep households above the subsistence threshold without child income. In the "bad" equilibrium, children work, adult labour supply is lower because children are substituting for some adult tasks, and wages settle low enough that households need the child's contribution to survive. A temporary but sufficiently large intervention, such as a ban on child labour or a cash transfer, can in principle shift an economy from the bad equilibrium to the good one and then be withdrawn, because the good equilibrium is self-sustaining once reached. Basu (1999) extended this line of reasoning into a widely cited survey that remains one of the standard references for the field.

The Basu-Van framework has been criticised on empirical grounds, most notably because household income shows only a weak and inconsistent correlation with child labour participation in many datasets, which sits uneasily with a pure luxury-axiom story (Edmonds & Pavcnik, 2005). Edmonds and Pavcnik's review of the trade and child labour literature found that income effects are real but often smaller than credit constraints, the local return to schooling, and the structure of local labour markets in explaining household decisions. Even so, the luxury axiom remains a useful organising idea, and later work has generally treated it as one input into household decision-making rather than the whole story.

2.2 Human Capital Theory and the Intergenerational Transmission Mechanism

The second theoretical pillar this paper draws on is human capital theory, applied specifically to the transmission of economic status across generations. The basic logic runs as follows. A child who works instead of attending school, or who attends school irregularly while also working, accumulates less human capital: less formal education, often worse health outcomes from physically demanding or hazardous work, and in some cases psychological harm from labour undertaken at an age when it is developmentally inappropriate. Lower human capital translates into lower earnings in adulthood. Lower adult earnings mean that when this individual has children of their own, the

household again faces a income shortfall relative to subsistence, and the luxury-axiom logic reasserts itself for the next generation. Behrman et al. (2017), using longitudinal data from the Young Lives study covering Ethiopia, India, Peru, and Vietnam, modelled exactly this dynamic and found that while boosting parental schooling or income substantially reduces poverty and inequality within the parents' own generation, the effect does not carry over with anything like the same force into the children's generation a finding that should give pause to anyone expecting a single generation of income growth to break these cycles automatically.

Emerson and Souza (2003) provided some of the clearest household-level evidence for this transmission mechanism using Brazilian data, developing what they termed a test for a "child labour trap." Using an overlapping-generations framework and survey data that recorded whether respondents' own parents had worked as children, they found a strong positive relationship between a parent's own child labour history and the probability that their children would also work, a relationship that held even after controlling for current household income. This is an important result because it suggests the transmission channel is not purely about current income; something about having worked as a child appears to independently raise the probability that a person, once a parent, will rely on child labour again, whether through lower earning capacity, different beliefs about the value of schooling, or social norms formed by one's own upbringing. Wahba's (2006) study of Egypt reached a broadly similar conclusion: children whose parents had themselves worked as children were disadvantaged in access to schooling and considerably more likely to become child labourers themselves, controlling for other household characteristics.

2.3 Credit Constraints and Poverty Traps

A third strand of theory treats child labour as one symptom of a broader poverty trap driven by missing credit markets. In a world with perfect capital markets, a poor household could in principle borrow against its children's future higher earnings to finance schooling today, repaying the loan once the child's human capital investment pays off in adulthood. Rural households in developing economies typically have no access to this kind of borrowing. Without it, the household's only way to smooth consumption in the face of a shock, whether a drought, an illness,

or a price spike, is to draw on whatever labour it has available, including the labour of children. This is consistent with the framing set out in Section 1.2: economic vulnerability, not simply the level of income, drives the decision, because even a household that is not poor on average can be pushed into relying on child labour by a shock it has no way of insuring against. Moore's (2001) framework for understanding intergenerational transmission in developing countries situates child labour within this broader set of missing markets and absent social protection, arguing that human capital, social capital, and financial capital are all transmitted, extracted, or withheld across generations through overlapping and mutually reinforcing channels rather than through any single mechanism.

2.4 A Working Model for This Paper

Putting these strands together, this paper works from a simple conceptual model summarised in Figure 0 in words rather than a diagram: household economic vulnerability, driven by low baseline income, limited access to credit and insurance, and thin or absent social protection, raises the probability that a household will use child labour as a coping response when income falls short of subsistence needs or when a shock hits. Child labour, once undertaken, reduces school attendance and school performance, and in its hazardous forms damages health. Both effects lower the child's human capital accumulation. Lower human capital lowers expected adult earnings. Lower adult earnings recreate the conditions of economic vulnerability in the next generation. The remainder of this paper is organised around testing pieces of this model against the available data: Sections 3 and 4 examine the vulnerability-to-child-labour link, Section 5 examines the child-labour-to-transmission link directly, and Section 7 examines which policy levers have proven capable of interrupting the cycle at one point or another.

3. Global and Regional Patterns of Child Labour

Before turning to mechanisms and case evidence, it is worth setting out what is actually known about the scale and distribution of child labour today, because the pattern of decline, stagnation, and regional divergence is itself informative about where economic vulnerability remains most acute.

3.1 The Global Trend, 2000-2024

The ILO's Global Estimates series, produced roughly every four years, is the standard source for cross-country comparable data. Figure 1 plots the global total from 2000 through the most recent 2024 estimate. The number fell from about 246 million in 2000 to roughly 168 million in 2012, then to 152 million in 2016, a decline of close to 94 million children over sixteen years that the ILO and UNICEF (2021) rightly described at the time as one of the genuine success stories of global development policy. That progress then stalled and briefly reversed: the 2020 estimate recorded 160 million children in child labour, the first increase in two decades, a reversal that the 2021 joint ILO-UNICEF report attributed to a combination of continued population growth in Sub-Saharan Africa, extreme poverty, and inadequate social protection coverage (ILO & UNICEF, 2021), with the COVID-19 pandemic threatening to push a further 8.9 million children into child labour by the end of 2022 through its effects on household income and school closures.

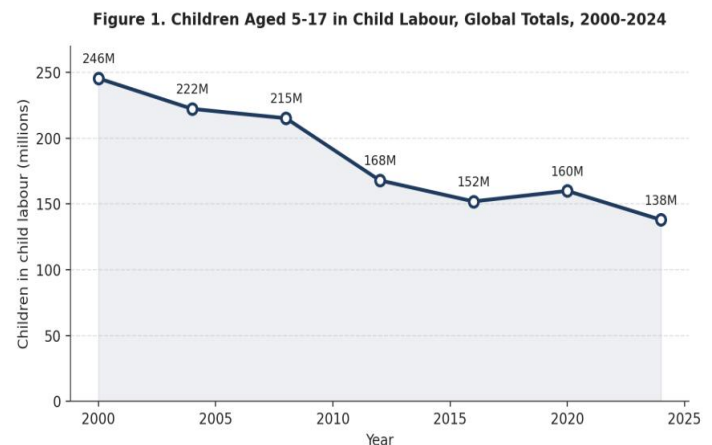


Figure 1. Global number of children aged 5-17 in child labour, 2000-2024. Source: constructed from ILO and UNICEF Global Estimates reports (ILO & UNICEF, 2021, 2024).

The most recent round of estimates, released in 2024, shows a return to decline: the global total fell to 138 million children, a reduction of roughly 22 million from the 2020 figure, achieved even as the overall population of children aged 5 to 17 continued to grow (ILO & UNICEF, 2024). Of these 138 million, about 54 million, roughly two in five, were in hazardous work, and of that hazardous-work group nearly one in five was younger than age twelve, which is a sobering statistic given that hazardous work by definition poses a direct threat to a child's health or safety.

3.2 Regional Distribution

The recovery in the global trend masks enormous regional divergence, and this divergence is central to the argument of this paper because it maps closely onto patterns of economic vulnerability rather than onto average income levels alone. Asia and the Pacific achieved the sharpest improvement of any region between 2020 and 2024, roughly halving its child labour prevalence rate and cutting the absolute number of child labourers from about 49 million to 28 million, a 43 percent decline (ILO & UNICEF, 2024). Latin America and the Caribbean saw a more modest but still real improvement, with the prevalence rate falling by about 8 percent and the total number of affected children declining from roughly 8 million to about 7 million.

Sub-Saharan Africa tells a very different story. After eight years in which child labour prevalence had been trending upward, the region did see prevalence fall by about 10 percent between 2020 and 2024, returning roughly to the rate recorded in 2012 (ILO & UNICEF, 2024). But because the region's child population kept growing throughout this period, the absolute number of children in child labour barely changed. Sub-Saharan Africa now accounts for close to 87 million child labourers, nearly two-thirds of the global total, and there are more children working in this one region than in the rest of the world combined (ILO & UNICEF, 2024). Figure 2 shows this regional distribution.

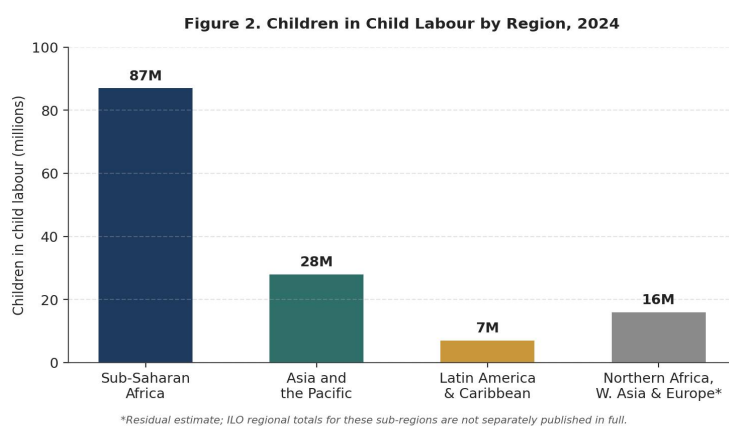


Figure 2. Children in child labour by region, 2024. Source: ILO and UNICEF (2024) Global Estimates.

The Africa-specific statistical profile published alongside the 2020 estimates is worth citing directly because it captures how far outside the global pattern the region sits: 92.2 million African children, 40.1 million girls and 52.1 million boys, were in child

labour as of the 2020 round, equal to 21.6 percent of all children on the continent, more than twice the world average prevalence rate, with about 45 percent of those children, some 41.4 million, in hazardous work (ILO's Africa statistical profile, cited in ILO & UNICEF, 2021).

3.3 Sector and Location

Agriculture remains overwhelmingly the largest employer of child labourers, accounting for 61 percent of the global total as of 2024, most of it unpaid family labour on smallholder farms rather than wage employment on commercial plantations (ILO & UNICEF, 2024). Services, including domestic work in third-party households and small-scale street commerce, account for 27 percent, and industry, which includes construction, manufacturing, and mining, accounts for the remaining 13 percent. Figure 3 illustrates this sectoral breakdown.

Figure 3. Children in Child Labour by Economic Sector, 2024

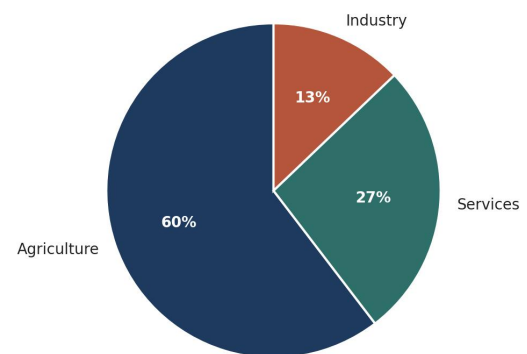


Figure 3. Children in child labour by economic sector, 2024.

Source: ILO and UNICEF (2024).

This sectoral concentration matters for policy design, a point taken up in Section 7: high-profile campaigns against child labour in the 1990s and 2000s tended to focus on export-oriented manufacturing, such as garments and footwear, because these sectors were visible to Western consumers and susceptible to supply-chain pressure. But that sector accounts for only a small slice of the global total. The much larger share of child labour occurring within family agriculture is far less visible to outside pressure and far more directly tied to household subsistence needs, which is exactly the kind of economic vulnerability this paper is concerned with.

Child labour is also heavily concentrated in rural areas. The 2020

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Global Estimates recorded 122.7 million rural children in child labour compared to 37.3 million urban children, and a prevalence rate of 13.9 percent in rural areas versus 4.7 percent in urban areas, very nearly a threefold gap (ILO & UNICEF, 2021). Figure 5, presented later in Section 4 alongside the discussion of household vulnerability, sets out this rural-urban disparity in more detail.

3.4 Country-Level Variation

National averages conceal very large differences at the country level. Table 1 lists a set of countries with the highest recorded child labour prevalence rates, most of them concentrated in Sub-Saharan Africa but also including Haiti in the Caribbean. South Sudan, a country marked by prolonged conflict and state fragility, records the highest rate at 48 percent of children aged 5 to 17, followed by Ethiopia at 45 percent, and Burkina Faso, Cameroon, and Chad each at roughly 39 to 42 percent, a set of figures consistent with recent country-level ILO and UNICEF country profiles compiled by child protection monitoring organisations (cpgn.org, drawing on ILO and UNICEF country data).

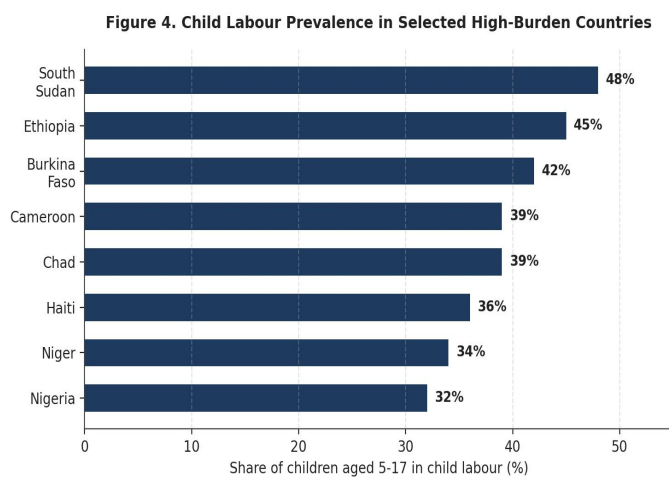


Figure 4. Child labour prevalence in selected high-burden countries. Source: compiled from ILO and UNICEF country-level child labour data.

Country	Region	Child labour prevalence	Notable driver
South Sudan	East Africa	48%	Conflict and state fragility

Country	Region	Child labour prevalence	Notable driver
Ethiopia	East Africa	45%	Rural agrarian poverty
Burkina Faso	West Africa	42%	Rural poverty, security crisis
Cameroon	Central Africa	39%	Regional conflict, agriculture
Chad	Central Africa	39%	Extreme poverty, low school access
Haiti	Caribbean	36%	Economic collapse, weak institutions
Niger	West Africa	34%	Agrarian poverty, high fertility
Nigeria	West Africa	32%	Regional disparities, informality

Table 1. Child labour prevalence in selected high-burden countries. Source: compiled from ILO and UNICEF country-level child labour data as summarised in recent child protection monitoring reports.

4. Economic Vulnerability and Household Decision-Making

Section 3 established where child labour is concentrated. This section asks why, at the level of the household, economic vulnerability so often resolves into a decision to send a child to work rather than to school.

4.1 Extreme Poverty as the Backdrop

It is impossible to discuss child labour without some reference to

AND ENGINEERING TRENDS

the underlying poverty numbers, even though, as argued in Section 2, income level alone is an incomplete explanation. The World Bank's 2024 Poverty, Prosperity and Planet report estimated that roughly 692 million people, about 8.5 percent of the world's population, were living in extreme poverty on less than 2.15 dollars a day in 2017 purchasing-power-parity terms, down substantially from 37.9 percent in 1990 but with the pace of progress slowing markedly over the 2020s, a period the report describes as at risk of becoming a lost decade for poverty reduction (World Bank, 2024). Figure 6 traces this long-run decline and its recent flattening.

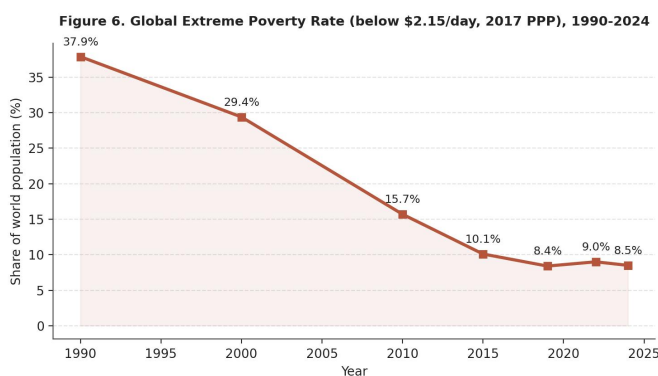


Figure 6. Global extreme poverty rate (population living below \$2.15/day, 2017 PPP), 1990-2024. Source: World Bank (2024) Poverty, Prosperity and Planet report; earlier-year figures from World Bank historical series.

As with child labour, extreme poverty is heavily concentrated: about 90 percent of people living in extreme poverty reside in Sub-Saharan Africa and South Asia, and roughly half of the world's poor are children under eighteen. This overlap is not a coincidence. It is the same underlying set of countries and, within those countries, the same rural agrarian households, that show up disproportionately in both the poverty statistics and the child labour statistics reviewed in Section 3.

4.2 Income Shocks and the Absence of Insurance

The theoretical discussion in Section 2.3 pointed to missing credit and insurance markets as a central driver of child labour decisions. The empirical literature on shocks bears this out with some precision. De Janvry, Finan, Sadoulet, and Vakis (2006), using data from Mexico's PROGRESA conditional cash transfer programme, examined how households responded to adverse shocks such as the illness or unemployment of the household head, or natural disasters, and found that the cash transfer helped

protect school attendance for beneficiary children even during a shock, but that these same children were nonetheless more likely to increase their labour participation in response to the shock. In other words, the transfer cushioned the education channel without fully closing off the labour channel, a nuance that matters a great deal for how policy should be designed and one this paper returns to in Section 7.

This pattern, where shocks raise child labour even among households that are not poor by an annual average measure, is precisely what the vulnerability framing set out in Section 1.2 predicts. A single bad harvest, a hospital bill, or a spike in the price of staple foods can force a household that would ordinarily keep its children in school to pull them out, at least temporarily, and temporary spells of child labour have a habit of becoming semi-permanent once schooling is interrupted and a child falls behind grade level, since re-entry into formal schooling after a gap becomes progressively less attractive relative to continued work as the child ages.

4.3 Rural Location and Agricultural Dependence

The rural-urban gap documented in Section 3.3, with rural prevalence at 13.9 percent versus 4.7 percent in urban areas (ILO & UNICEF, 2021), is one of the more consistent findings across the global literature, and it is closely tied to economic vulnerability in at least three ways. First, rural households are disproportionately dependent on smallholder agriculture, an activity with highly seasonal and weather-dependent income that offers essentially no insurance against a poor rainfall year. Second, rural areas typically have thinner labour markets, meaning there are fewer opportunities for adult household members to find substitute wage work when farm income falls short, which increases the marginal value of a child's labour on the family plot. Third, rural schools are frequently under-resourced, further away, and of lower perceived quality than urban schools, which lowers the expected return to schooling relative to the immediate and tangible contribution a child can make to farm labour. Figure 5 restates the rural-urban gap in both absolute and relative terms.

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Figure 5. Rural-Urban Disparity in Child Labour, 2020 Estimates

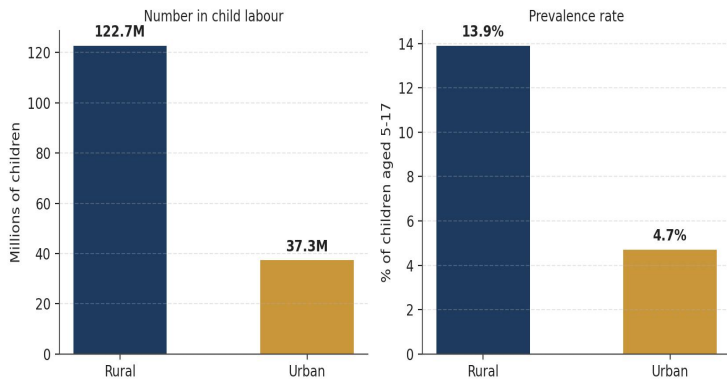


Figure 5. Rural-urban disparity in child labour, 2020 estimates.

Source: ILO and UNICEF (2021).

4.4 Household Composition, Gender, and Bargaining

Household size and composition also shape vulnerability. Larger households, and households with a higher ratio of young dependants to working-age adults, face a heavier burden per adult earner, which raises the pressure to use child labour as a coping mechanism. The 2020 Global Estimates found that boys were somewhat more likely than girls to be recorded in child labour as conventionally measured, 97 million boys versus 63 million girls (ILO & UNICEF, 2021), though this gap narrows substantially, and in some analyses reverses, once unpaid household chores performed disproportionately by girls, such as fetching water and firewood, are counted alongside economic activity. The distinction matters because girls' domestic labour is systematically undercounted in standard child labour statistics even though it carries the same opportunity cost in terms of displaced schooling; a randomised evaluation of a scholarship programme in Nepal, for instance, found that it reduced girls' economic labour hours but had little to no measurable effect on the domestic and care work that continued to fall to them (cited in Tandfonline review of child work literature, 2024).

4.5 Summary: Vulnerability, Not Just Income Level

Table 2 summarises the main channels through which economic vulnerability, as distinct from the static level of household income, has been shown to raise the probability of child labour. The common thread across all four channels is the absence of some buffer, whether credit, insurance, an accessible labour market, or a reliable safety net, that would otherwise let a household absorb a shock without drawing on a child's labour.

Channel	Mechanism	Representative evidence
Income shocks	Illness, unemployment, or crop failure forces reallocation of household labour	de Janvry et al. (2006), Mexico
Missing credit markets	Households cannot borrow against a child's future earnings to finance schooling now	Basu & Van (1998); Basu (1999)
Rural/agricultural dependence	Seasonal income, thin labour markets, high marginal value of child farm labour	ILO & UNICEF (2021)
Absent social protection	No cash transfer or insurance to fall back on during a shock	ILO (2013) World Report

Table 2. Channels linking economic vulnerability to child labour decisions.

5. The Intergenerational Cycle: Mechanisms and Evidence

This section moves from the household decision to work, examined in Section 4, to the longer arc that gives this paper its title: the tendency for child labour today to reproduce the conditions that generate child labour tomorrow, within the same family line.

5.1 The Brazilian Evidence

The clearest empirical test of an intergenerational "child labour trap" comes from Emerson and Souza (2003), who used Brazilian household survey data and an overlapping-generations econometric model to ask a direct question: does having a parent

AND ENGINEERING TRENDS

who worked as a child raise the probability that a person's own children will work? Their answer was yes, and by a wide margin. Children in their sample were roughly twice as likely to be working if their own parents had entered the labour market as children themselves, and this relationship held after controlling for current household income, which is the finding that makes the paper important: it suggests the transmission is not simply about income persisting across generations but about something more durable, plausibly lower human capital, different information about the returns to schooling, or social norms formed by the parent's own childhood experience of work. In the same dataset, the average age at which parents in the sample had themselves entered the labour force was just over ten years old for both mothers and fathers, underlining how early these formative experiences typically begin (Emerson & Souza, 2003).

5.2 Egypt and the Role of Parental History

Wahba's (2006) analysis of Egyptian household data reached a compatible conclusion using a different setting and a different empirical strategy, examining how market wages and parental labour history jointly predicted child schooling and work outcomes. She found that children of parents who had themselves been child labourers faced systematically worse access to schooling and a markedly higher probability of working, holding other household characteristics constant. Wahba's interpretation emphasised the accumulated disadvantage carried forward by parents who, because they missed out on schooling themselves, tend to have lower and less stable adult earnings, reduced bargaining power in labour markets, and in some cases less information about, or less confidence in, the value of investing in a child's education relative to the immediate income a child can generate.

5.3 Human Capital Erosion as the Transmission Channel

Behrman and colleagues' (2017) work with the Young Lives longitudinal cohorts in Ethiopia, India, Peru, and Vietnam offers a complementary, more quantitative angle on the same question. Rather than looking backward at parental history, they simulated forward: what would happen to poverty and inequality in the children's generation if parental schooling or income were increased today? Their striking finding was that gains in the parents' generation, while valuable in their own right, do not reliably translate into comparable reductions in poverty or

inequality once that generation's children reach adulthood. This is an important corrective to a simple, mechanical version of the intergenerational transmission story, in which raising parental income today is assumed to straightforwardly fix outcomes tomorrow. The Young Lives results suggest that the transmission mechanism runs substantially through the accumulation of human capital in the children's own generation, meaning that interventions focused only on parental income, without a matching investment in children's schooling and health, are likely to have only limited multigenerational impact.

5.4 Poverty and Food Insecurity Feedback: Evidence from Ghana

A related strand of evidence traces the long-run consequences of child labour back onto household poverty and food security within the same generation, which is a slightly different but closely related feedback loop. Analysis of Ghanaian household data has documented a clear short-run versus long-run trade-off: in the short run, a child's labour raises household income and can improve the household's immediate survival prospects, but in the long run, the accompanying loss of human capital formation perpetuates the household's poverty, restricting future purchasing power and food security and passing that constrained position on to the next generation (Cambridge Journal of Demographic Economics literature on Ghana, drawing on Emerson & Souza's original framework). This dual finding, that child labour helps in the short run but harms in the long run, is precisely what makes the phenomenon so difficult to eliminate through appeals to household welfare alone: for a household facing an immediate subsistence constraint, the long-run cost is real but distant, while the short-run benefit is immediate and often the difference between eating and not eating that week.

5.5 Synthesis: What the Transmission Evidence Shows

Table 3 draws together the main empirical studies discussed in this section. Three patterns stand out across this body of work. First, the relationship between parental child labour history and a child's own probability of working is consistently positive and, where tested, remains significant after controlling for current household income, indicating that the transmission channel is not reducible to income persistence alone. Second, the mechanism appears to run substantially through human capital, meaning schooling quality and access, rather than through cash income in

AND ENGINEERING TRENDS

isolation. Third, the short-run economic logic that makes child labour attractive to a vulnerable household in the moment is precisely what undermines that household's long-run prospects, which is the essence of the trap described in Section 2's theoretical discussion.

Study / setting	Data and method	Key finding
Emerson & Souza (2003), Brazil	Household survey, overlapping-generations model	Children twice as likely to work if a parent was a child labourer; holds after controlling for income
Wahba (2006), Egypt	Household survey, regression analysis	Parental child labour history predicts worse schooling access and higher child work probability
Behrman et al. (2017), Ethiopia/India/Peru/Vietnam	Young Lives longitudinal cohort, simulation	Parental income/schooling gains do not fully carry over to reduced poverty in children's generation
Ghana household studies	Cross-sectional household survey	Short-run income gain from child labour; long-run poverty and food insecurity perpetuated

Table 3. Summary of empirical studies on intergenerational transmission of child labour and poverty.

6. Regional Case Studies

The mechanisms reviewed in Sections 4 and 5 play out differently depending on the structure of the local economy, the strength of state institutions, and the reach of social protection systems. This section looks more closely at three regions that illustrate distinct variants of the same underlying dynamic.

6.1 Sub-Saharan Africa: Population Growth Outpacing Progress

Sub-Saharan Africa is, as established in Section 3.2, the region carrying the largest absolute burden of child labour and the region where progress has been slowest. What makes the African case distinctive is not that policy has failed to reduce prevalence, prevalence rates have in fact fallen by about 10 percent since 2020, but that population growth has been fast enough to hold the absolute number of affected children roughly constant even as the rate improves (ILO & UNICEF, 2024). This is a demographic arithmetic problem layered on top of an economic vulnerability problem: even a region making genuine proportional progress can show no improvement in absolute terms if its child population is growing at a similar pace. Countries such as South Sudan, Ethiopia, Burkina Faso, Chad, and Cameroon, listed earlier in Table 1, combine several of the risk factors discussed in Section 4 simultaneously: heavy dependence on rain-fed smallholder agriculture, thin or entirely absent social protection systems, and in several cases active conflict or post-conflict fragility that further weakens both school systems and labour markets. The ILO's Africa statistical profile found hazardous work affecting 41.4 million African children as of the 2020 estimates, nearly half of all African children in child labour, a share notably higher than the global average and consistent with weaker regulatory enforcement in sectors such as small-scale mining and quarrying (ILO & UNICEF, 2021).

6.2 South Asia: Progress Through Structural Change

The Asia and Pacific region, which includes South Asian economies such as India, Bangladesh, and Pakistan, achieved the sharpest reduction of any region between 2020 and 2024, nearly halving its child labour prevalence and cutting the absolute number of child labourers from roughly 49 million to 28 million (ILO & UNICEF, 2024). Several factors plausibly contributed to this trajectory, though attributing precise weight to each is difficult given the absence of a controlled comparison. Sustained economic growth across much of South and Southeast Asia

AND ENGINEERING TRENDS

expanded formal-sector employment opportunities for adults, which, consistent with the Basu-Van substitution logic discussed in Section 2.1, would be expected to reduce reliance on child labour as adult wages rose. Large-scale investments in primary and secondary schooling, including major school feeding and enrolment campaigns in India and Bangladesh, lowered the effective cost of schooling relative to work. And several countries in the region expanded conditional and unconditional cash transfer coverage over the same period, a policy lever examined in more depth in Section 7. It should be noted, however, that even at a substantially reduced prevalence rate, tens of millions of children in the region remain in child labour, and the reduction has been uneven across countries within the region, with data coverage gaps in parts of Eastern Asia and the Pacific Islands limiting the precision of sub-regional estimates (ILO's EASEAPI statistical profile).

6.3 Latin America and the Caribbean: Modest Gains, Persistent Gaps

Latin America and the Caribbean occupies something of a middle position. The region's overall prevalence rate declined only modestly between 2020 and 2024, by around 8 percent, while the absolute number of affected children fell from about 8 million to roughly 7 million (ILO & UNICEF, 2024). This is a region with, on average, higher income levels and more developed social protection infrastructure than Sub-Saharan Africa, including Brazil's Bolsa Familia programme, one of the largest conditional cash transfer schemes in the world, and Mexico's PROGRESA/Oportunidades programme, both discussed in Section 7. Yet child labour has proven only partially responsive even to well-funded cash transfer systems, a point underlined by the Costa Rican randomised controlled trial evidence reviewed later, which found that conditional cash transfers reduced the risk of school dropout during economic shocks but did not meaningfully reduce child labour used as a shock-coping strategy (Meza-Cordero, 2023). Haiti remains an outlier within the region, with a prevalence rate of 36 percent reflecting a very different set of conditions, marked by state fragility, natural disaster exposure, and near-total collapse of formal labour markets in recent years, closer in character to the Sub-Saharan African cases than to its Caribbean and Latin American neighbours.

6.4 What the Regional Comparison Suggests

Read together, these three regional trajectories point to a conclusion that is easy to state but harder to act on: reducing child labour appears to require the joint presence of rising adult labour market opportunities, expanded and genuinely accessible schooling, and functioning social protection, and the absence of any one of these three appears sufficient to blunt progress substantially. Sub-Saharan Africa has struggled primarily on the first and third fronts, with limited formal employment growth and thin safety nets, compounded by fast population growth. Latin America has strong social protection infrastructure but has found that cash transfers alone, without complementary labour market and enforcement measures, produce only partial reductions in child labour specifically as opposed to school dropout. South Asia's more favourable recent trajectory reflects some degree of progress on all three fronts simultaneously, though from a starting point of very high prevalence, meaning the region still carries a large absolute burden despite the improved rate.

7. Policy Responses and Their Effectiveness

If child labour is driven substantially by economic vulnerability rather than by parental preference or ignorance of its harms, then the policy implication that follows from Sections 2 through 6 is fairly direct: interventions that relax the household's binding constraint, whether that constraint is income, credit, insurance, or the cost of schooling, should be more effective than interventions relying purely on prohibition and enforcement. This section reviews the evidence on the policy instrument that has been tested most extensively against this logic, the conditional cash transfer, before turning briefly to complementary approaches.

7.1 Conditional Cash Transfers: The PROGRESA/Oportunidades Model

Mexico's PROGRESA programme, launched in 1997 and later renamed Oportunidades and then Prospera, is the prototype for conditional cash transfer design and remains one of the most rigorously evaluated social programmes in the developing world. Households receive cash payments conditional on children's regular school attendance and periodic health clinic visits. Schultz's (2004) evaluation, using the programme's randomised phase-in design, found meaningful increases in school enrolment, particularly at the transition from primary to secondary school

AND ENGINEERING TRENDS

where dropout risk is highest, with somewhat larger effects for girls than boys. Skoufias and Parker's earlier work on the same programme, examining child work and schooling jointly, found that the conditional structure of the transfer, rather than the income effect alone, was doing much of the work in raising enrolment, consistent with the theoretical point noted in Section 2.1 that a pure income transfer without a schooling condition tends to have only a limited effect on either enrolment or child labour on its own.

7.2 Brazil's Bolsa Familia: Scale Without Uniform Success

Bolsa Familia, Brazil's conditional cash transfer programme, is the largest of its kind in the world, having covered over 13 million families at its peak, roughly a quarter of the Brazilian population, with transfers conditional on school attendance and compliance with child vaccination and health-monitoring schedules. The evidence on its effects is more mixed than PROGRESA's. Reviews of the programme have found consistent improvements in poverty reduction, child mortality, and healthcare utilisation, but effects on educational attainment specifically have been smaller than might be expected given the scale of investment; one recent sibling-comparison study found that younger children exposed to Bolsa Familia conditionalities outperformed their older, untreated siblings in educational attainment within the same household, but the effect size was described by the authors themselves as modest, with local public goods provision, meaning the quality of nearby schools, emerging as an important moderator of how much the transfer actually achieved. A separate re-analysis of Bolsa Familia's labour market effects using individual-level data found no significant change in aggregate adult labour force participation associated with the programme, though it did find heterogeneous effects across groups, including a small shift from formal to informal work among urban men near the programme's eligibility threshold, a pattern consistent with households adjusting their labour supply strategically around the means test rather than the transfer straightforwardly reducing overall work effort.

7.3 The Limits of Cash Transfers for Child Labour Specifically

Perhaps the most important nuance in this literature, and one directly relevant to this paper's argument, is the distinction

IMPACT FACTOR 6.228

between a cash transfer's effect on schooling and its effect on child labour, which are related but not identical outcomes since many children in developing countries combine school attendance with part-time work. A randomised controlled trial of a conditional cash transfer in Costa Rica found that the programme lowered the risk of school dropout when households experienced an economic shock, but it did not reduce child labour used as a coping strategy in the face of that same shock, indicating that households continued to rely on children's labour even while keeping them formally enrolled in school (Meza-Cordero, 2023). This finding echoes the earlier PROGRESA-based work by de Janvry and colleagues discussed in Section 4.2, who found essentially the same pattern in Mexico: the transfer protected the schooling margin during a shock without fully protecting the child-labour margin. Taken together, this body of evidence suggests that conditional cash transfers are a genuinely effective tool for keeping children enrolled in school, especially during hard times, but they are a much less reliable tool for eliminating child labour outright, because a child can attend school and also work outside school hours, and the transfer's conditionality is typically written around attendance rather than around total hours worked.

7.4 Cost-Effectiveness Across Programmes

A comparative review of administrative costs across conditional cash transfer programmes found wide variation in cost-effectiveness. Programmes in Ecuador and Bangladesh delivered enrolment gains at administrative costs of roughly four cents per dollar transferred, achieving relatively large enrolment impact per dollar of administrative spending, whereas Mexico's PROGRESA and Brazil's Bolsa Familia, despite their much larger scale and visibility, delivered smaller enrolment impact per dollar of administrative cost, and Nicaragua's programme carried administrative costs as high as 63 cents per dollar transferred (comparative CCT cost-effectiveness review cited in Meza-Cordero, 2023). This has a direct bearing on how limited government budgets in the countries carrying the heaviest child labour burden, most of them in Sub-Saharan Africa, might best be allocated, since the largest, most publicised programmes are not necessarily the most cost-effective per dollar spent.

7.5 Beyond Cash Transfers: Complementary Instruments

Table 4 summarises the main categories of policy instrument

AND ENGINEERING TRENDS

reviewed in the broader literature, alongside cash transfers. Legal prohibition and labour inspection remain the traditional first line of response and are necessary for addressing the worst forms of child labour, including forced labour and hazardous work, but enforcement capacity in the rural, informal, family-farm settings where most child labour actually occurs, as shown in Section 3.3, is typically very weak, which limits how much this instrument can achieve on its own. Supply-chain and trade-based interventions, such as certification schemes and import restrictions tied to labour standards, have had documented success in specific globally visible export sectors but reach only a small share of the total child labour population given agriculture's dominant 61 percent share established in Section 3.3. Investments in agricultural productivity and rural infrastructure address the underlying vulnerability of smallholder households more directly, by raising the returns to adult labour relative to child labour, consistent with the Basu-Van substitution logic discussed in Section 2.1, though such investments take longer to show results than a cash transfer and are correspondingly less common as a headline child labour policy despite their theoretical appeal. Finally, universal social protection floors, meaning basic income security not conditioned on specific behaviours, have been advocated by the ILO as a complement to conditional programmes precisely because they would reach the vulnerable households that fall outside existing conditional schemes and would provide an automatic buffer against the income shocks identified in Section 4.2 as a central driver of child labour spells (ILO, 2013; ILO & UNICEF, 2021).

Policy instrument	Primary channel	Main strength	Main limitation
Conditional cash transfers	Lowers cost of schooling, cushions shocks	Strong, well-evidenced enrolment effects	Limited effect on child labour hours specifically
Legal prohibition / inspection	Direct restriction on employer	Effective against worst forms, forced	Weak reach into informal family

Policy instrument	Primary channel	Main strength	Main limitation
	demand	labour	agriculture
Supply-chain / trade standards	Pressure on export-oriented employers	High visibility, can shift specific sectors	Covers a small share of total child labour
Agricultural productivity investment	Raises returns to adult labour	Addresses root cause of vulnerability	Slow-acting, politically less visible
Universal social protection floors	Automatic buffer against income shocks	Reaches households outside conditional schemes	High fiscal cost, coverage gaps in poorest states

Table 4. Summary of policy instruments used against child labour, drawing on the sources discussed in Section 7.

8. Discussion and Limitations

Bringing the preceding sections together, the evidence reviewed here supports the paper's central claim: child labour in developing economies functions less as an isolated household choice and more as one link in a self-reinforcing cycle that connects household economic vulnerability, child labour, eroded human capital, and reduced adult earning capacity, which in turn recreates household vulnerability in the next generation. The Basu-Van luxury axiom (Basu & Van, 1998) and the household-level Brazilian and Egyptian evidence on parental transmission (Emerson & Souza, 2003; Wahba, 2006) support this picture from two different directions, one theoretical and one empirical, and they arrive at compatible conclusions.

That said, several limitations in the evidence base deserve honest acknowledgment rather than being glossed over. First, much of the household-level transmission literature relies on cross-sectional or retrospective survey data asking adults to recall their own childhood work history, which introduces the possibility of

AND ENGINEERING TRENDS

recall bias and makes it harder to establish causality as cleanly as a true panel design would allow. Second, the global ILO-UNICEF estimates themselves depend on nationally representative household surveys that are unevenly available across countries and time periods; the EASEAPI statistical profile noted earlier in Section 3.2, for instance, reported data coverage of less than 1 percent of the child population in Eastern Asia and the Pacific Islands, meaning large parts of the regional total in that sub-region rest on imputation rather than direct measurement (ILO's EASEAPI statistical profile). Third, the policy evaluation literature reviewed in Section 7 is dominated by Latin American conditional cash transfer programmes, which are comparatively well-funded and well-administered by developing-country standards; it is not obvious that findings from PROGRESA or Bolsa Familia generalise cleanly to lower-capacity states in Sub-Saharan Africa, which is precisely the region carrying the largest share of the global child labour burden.

A further limitation concerns measurement of the harder-to-observe forms of child labour discussed in Section 4.4, particularly domestic and care work performed disproportionately by girls, which standard labour force-style surveys tend to undercount relative to work in agriculture, industry, or paid services. This measurement gap likely means the true scale of the intergenerational burden on girls' human capital accumulation is understated in the headline statistics used throughout this paper, even though the qualitative literature is fairly consistent in flagging the problem.

Finally, this paper has treated "economic vulnerability" as a fairly unified concept, but in practice the sources of vulnerability, conflict and state fragility in South Sudan, climatic risk to smallholder agriculture in the Sahel, natural disaster exposure in Haiti, are quite different from one another even though they produce statistically similar outcomes in the child labour data. A more granular treatment, ideally combining household panel data with local shock exposure measures, would allow for sharper conclusions about which specific policy lever matters most in which setting, an agenda better suited to a dedicated empirical study than to a review paper of this scope.

9. Conclusion and Policy Recommendations

Child labour has declined substantially since the turn of the
IMPACT FACTOR 6.228

millennium, from about 246 million children in 2000 to 138 million in 2024, and that decline is a genuine achievement that should not be understated (ILO & UNICEF, 2024). But the remaining burden is not spread evenly, and where it remains concentrated, in rural Sub-Saharan Africa above all, the evidence reviewed in this paper suggests it is sustained by exactly the mechanisms the intergenerational transmission literature would predict: households without credit, without insurance, and often without any social protection at all, using child labour as the only coping mechanism available to them when income falls short, and in doing so, quietly reducing the odds that their children will grow up with the earning capacity to avoid making the same choice with grandchildren.

Drawing on the analysis in Sections 4 through 7, four policy directions seem best supported by the evidence.

- Expand social protection coverage, particularly unconditional or lightly conditioned income support, in the rural, agriculture-dependent settings identified in Section 3.3 as the largest single source of child labour globally, since the shock-response evidence in Section 4.2 indicates that vulnerability to temporary income loss, not only chronic poverty, is a major driver.
- Redesign cash transfer conditionalities to address child labour hours directly rather than school attendance alone, given the Costa Rican and Mexican evidence reviewed in Section 7.3 showing that school enrolment and child labour can persist side by side under current programme designs.
- Prioritise agricultural productivity and rural infrastructure investment as a complement to, not a substitute for, cash transfers, since this addresses the underlying return-to-adult-labour dynamic highlighted by the Basu-Van framework in Section 2.1, and because agriculture accounts for 61 percent of global child labour as shown in Section 3.3.
- Invest in better measurement of the intergenerational transmission channel itself, including longitudinal household panels that follow the same families across generations, since Section 5 shows that the strongest existing evidence on transmission still comes from a fairly small number of country studies.

AND ENGINEERING TRENDS

None of these recommendations is new in isolation; each has appeared, in one form or another, in the policy literature cited throughout this paper. What this paper has tried to add is the argument that they need to be understood together, as responses to a single reinforcing cycle rather than as a menu of independent options. A cash transfer that raises enrolment without reducing labour hours breaks only half the cycle described in Section 2.4. An agricultural investment that raises rural incomes without a matching investment in school quality addresses vulnerability today without necessarily protecting the next generation's human capital. The intergenerational cycle of poverty and child labour, precisely because it is intergenerational, will not be broken by any single well-designed programme operating for a single budget cycle; it requires policy that is willing to think, and fund, on the same multi-decade timescale over which the cycle itself operates.