

Using Cash Transfer Programs to Get Children Back to School from Work

The prevalence of child labour in Pakistan is very high; with up to 22 percent of children between the ages of 5 and 14 years in some provinces engaged in the worst form of child labour, including bonded labour in agriculture and brick kilns, and forced domestic work (ILAB, 2020). Many child labourers work under conditions of debt bondage, forced labour and suffer from extreme physical abuse and sexual assault (Latif, Ali, Awan, & Kataria, 2016). Families substitute schooling with child work to escape poverty, and in some cases, parents work with their children as bonded labourers (Awaworyi, Iqbal, Nawaz, & Yew, 2021). Consequently, almost 23 million children between the ages of 5 and 16 years in Pakistan are out of school. According to the United Nations International Children's Emergency Fund (UNICEF), this translates to about 44 percent of the total population within this age group. Thus, Pakistan has one of the highest rates of out-of-school children in the world.¹ Elimination of child labour and the achievement of universal education are interconnected goals.

Poverty or financial constraint is an important reason behind child labour and the deprivation of potential educational attainment. The government of Pakistan has been launching multiple social protection programs to reduce poverty specifically for the last two decades. Nonetheless, Benazir Income Support Program (BISP) is one of the largest cash transfer programs, targeting the ultra-poor segment of the society (GoP, 2020; Iqbal & Nawaz, 2019; Nayab & Farooq, 2020). The BISP cash transfer provides the additional income to the beneficiaries, which is assumed to influence households' decisions regarding whether they should let their children work or send them for educational attainment (GoP, 2020).

It is generally observed that school enrolment and attendance decline amongst the ultra-poor households as the child labour supply increases. Thus, to fully understand the dynamics of child outcomes, it is essential to also focus on school enrolment and attendance. Such outcomes are very critical in formulating the policy for any social protection policy like the BISP cash transfers.²

¹ <https://www.unicef.org/pakistan/education>

² This brief is heavily based on Awaworyi Churchill, S., Iqbal, N., Nawaz, S., & Yew, S. L. (2021). Unconditional cash transfers, child labour and education: theory and evidence. *Journal of Economic Behaviour & Organisation*, 186, 437–457. <https://doi.org/https://doi.org/10.1016/j.jebo.2021.04.012>

Evidence

Recent literature shows that BISP cash transfer helps to increase the enrolment among ultra-poor. It also helps to promote grade promotion among target group in the medium to long run. However, the BISP cash transfers have no effect on dropout in the short run (Awaworyi, et al., 2021). These findings suggest that the additional income from cash transfers induces investment in education. However, the effect of cash transfers on enrolment wanes over time.

The gender-wise analysis has shown that the BISP cash transfers equally important for boys and girls to improve education outcomes. However, the impact is relatively higher among boys compared to girls. Awaworyi, et al. (2021) have shown that in the short term, BISP cash transfers are associated with a widening of the gender gap in enrolment; however, this narrows in the medium to long term.

It is noticed that the BISP intervention substantially reduces the dropout rate among boys in the short term but increases dropout among girls. It implies that differences in parental preferences and altruism towards boys and girls can influence the dynamics around child labour and human capital development. The BISP intervention significantly induces grade promotion among boys but not among girls. This finding can also be linked to the cultural environment that engenders greater altruism towards males than females. Thus, females tend to engage in other household activities, leaving less time for school activities, consequently influencing grade promotion.

BISP Cash Transfers, Child Labour and Education: Evidence

Awaworyi, et al. (2021) present evidence on the nexus between BISP cash transfers, child labour and education. Using three rounds of household panel data collected by the BISP including baseline data (2011), first-round data (2013) and end-line data (2016), for both BISP beneficiaries and non-beneficiaries, the study shows that the UCTs have a positive and statistically significant impact on enrolment and grade promotion but no effect on dropout in the short run. The study shows that 2 years after the BISP cash transfers, children of beneficiaries are 69 percentage points more likely to enrol in school and 40 percentage points more likely to have a grade promotion. However, 5 years after the intervention, children in the treatment group are 28 percentage points more likely to enrol in school and 61 percentage points more likely to have a grade promotion. The gender wise analysis show that 2 years after the BISP cash transfers, boys in the treatment group are 79 percentage points more likely to enrol in school. In contrast, girls in the treatment group are 64 percentage points more likely to enrol in school. Thus, 5 years post-intervention, boys in the treatment group are 23 percentage points more likely to enrol in school, while girls are 31 percentage points more likely to enrol in school. For dropout rates, this study shows that boys in the treatment group are 49 percentage points less likely to drop out of school, while girls are 57 percentage points more likely to drop out of school due to BISP cash transfers. The BISP cash transfers have no significant impact on child labour force participation in the short run. However, results for the analysis by gender show that while BISP cash transfer does not influence labour force participation among boys in the short term, girls in the treatment group are 13 percentage points more likely to participate in the labour market.

These findings tie in with results on educational outcomes in the medium to long term. Over time, the findings suggest that BISP beneficiaries change their preferences from sending children to the labour market to school. Comparing the gender results to those on educational outcomes, it can be inferred that while child labour has been reduced among girls in the medium to long run, their educational attainment has not improved significantly. This suggests that though beneficiaries prefer to reduce child labour among girls, they may still be engaged in other activities. Thus, the educational outcomes of girls, mainly those aged 12–14 years, do not improve.

Policy Recommendations

The evidence has shown the beneficial influence of the BISP cash transfer on educational attainment and negative impacts on child labour in the long run. In light of these findings, the following are some policy recommendations.

- BISP unconditional cash transfers (UCTs) program is effective to promote schooling. However, the BISP experience also suggests that the effects of UCTs wane over time. Thus, it is likely that UCTs can have a non-linear relationship with education and child labour outcomes over a sufficiently long period. We recommend adopting potential hybrid cash transfer programmes that minimise the extensive costs involved in maintaining and enforcing conditions associated with conditional cash transfers (CCTs) but put across sufficient conditions intermittently to ensure that the impact of UCTs extends over longer periods. For instance, even in the absence of binding conditions, UCTs are linked with very strong short-term effects. Thus, conditions can be introduced much later in the programme when the effectiveness of the transfers begins to wane.
- The government can introduce a new cash transfers program with a focus on education. The program includes free education for all children in the family up until their graduation. The educational expense, along with a stipend amount for each student, would be paid directly to educational institutions. Key beneficiaries of the program will be children and youth. Overall, priority will be given to female students.
- Child labour is one of the critical challenges for Pakistan due to massive unemployment and poverty. Designing social protection programs, which are child-sensitive, and in particular child labour sensitive, is needed to transition from work to education.
- Ensuring social protection system which directly targets the highly exposed group of children including children orphaned, children from marginalised ethnic and economically and socially excluded groups.

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Prepared by:
Nasir Iqbal
Email: nasir@pide.org.pk
Tel: 051-9248024

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