



International  
Labour  
Office

# As They Grow, So Do You

Eliminating child labour,  
an investment with great returns

## INVESTING IN CHILDREN

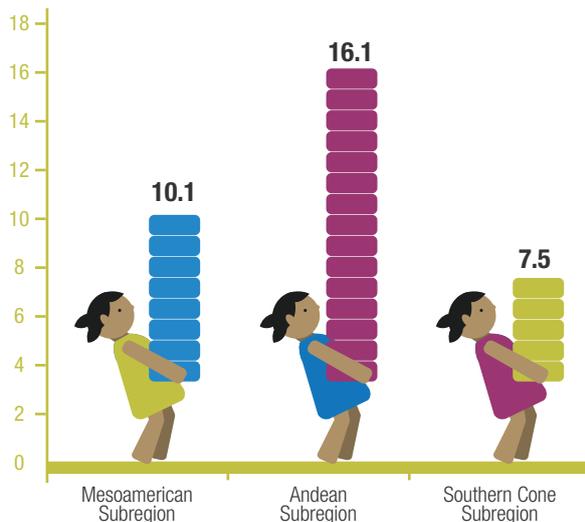
Costs and benefits of eliminating child labour in  
Latin America and the Caribbean

17 countries: Argentina, Bolivia, Brazil, Chile, Costa Rica, Colombia, Ecuador, El Salvador, Guatemala,  
Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic and Uruguay

# The state of child labour in Latin America and the Caribbean

Child labour is a persistent phenomenon that occurs heterogeneously in different countries in the region. It has a higher incidence in the Andean Subregion (16.1%) and a lower incidence in the Southern Cone (7.5%). According to global estimates on child labour<sup>1</sup>, Latin America and the Caribbean showed significant progress with 7.5 million fewer children and adolescents in situations of child labour in the period comprised between 1995 and 2015.

Participation of children and adolescents aged 5-17 years to economic activities (%)



Source: ILO, Child labour in Latin America: 2005-2008-2011  
Specialized study on child labour and its relationship with national development goals (unpublished).

Recent studies show that child labour reduction has stagnated while hazardous child labour is on the increase. All this adds up to a context of economic slowdown and a high rate of child poverty: it is estimated that 42% of children and adolescents in Latin America and the Caribbean live in low-income households.

Against this backdrop, the countries of the region are seeking renewed formulas to advance the efficient reduction of child labour. Part of these efforts consists of updating the study on the costs and benefits of eliminating child labour over the next ten years (2015-2025)<sup>2</sup>.



REGIONAL DATA  
COLLECTED BY THE ILO

**12.5**  
million

children and adolescents aged  
5 - 17 years in child labour.

**8.8%**

of all children and adolescents  
in the region.

**9**  
million

children are engaged in hazardous  
work which seriously jeopardizes  
their health, safety, morals and,  
in some circumstances,  
even their lives.

**These figures are still too large  
to allow us to abandon the  
effort and rule out a regression.**

<sup>1</sup> ILO, 2013. Marking progress against child labour: global estimates and trends 2000-2012;  
[http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_221513.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_221513.pdf)

<sup>2</sup> This research replicates the methodology used in the report: ILO, 2005. Building the future, investing in children:  
An economic study of the costs and benefits of eradicating child labor in Latin America. Available at:  
<http://www.ilo.org/ipecinfo/product/download.do?type=document&id=7026>

In recent years, Latin America and the Caribbean exhibit a sort of virtuous circle in favor of children and adolescents, characterized by increased public spending on education, higher school attendance, lower poverty levels (total and extreme) and a reduction in child labour rates. The proposal for more investment will help to further strengthen this virtuous circle.

## Investment in children

### COSTS

This study considers three components for estimating the costs:

- 1 The costs of ensuring full coverage and the costs of improving the quality of education.
- 2 The importance of conditional cash transfers to cover the costs borne by households that opt to send their children to school. These costs are divided into direct costs (uniforms, books, transport, etc.) and opportunity costs (the income families stop receiving for keeping their children in school instead of sending them to work).
- 3 The costs of direct interventions for eliminating child labour.

### BENEFITS

To estimate the benefits, it has been considered necessary to assess the economic gains of a more educated population and the economic advantages of a healthier population.

- 1 **The increase in the future income** of a population that has gained access to a complete education, as a result of increased coverage and improved quality of education.



- 3 There are other derived social benefits, such as psychological and emotional well-being and greater social peace. Therefore, these benefits reinforce the main conclusion of the study: **The elimination of child labour is clearly an investment that will bring the countries great economic and social benefits.**

# Investment in more and better education coverage

The study proposes to increase **school attendance** for children below the minimum age for admission to employment<sup>3</sup> **to 100% by 2025**, with the aim to eliminate child labour within the age group 5 - 14 years.

It is estimated that the investment required to expand the availability of educational options average

**US\$ 1.046 million**

**annually in the region, distributed as follows:**

US\$ 578.6 million in the Andean Subregion  
US\$ 250.8 million in the Mesoamerican Subregion  
US\$ 216.8 million in the Southern Cone Region



Investing with  
**EQUITY**

**Key actor:**

Ministries  
of Education

More and better  
**teachers**

However, this goal not only has an implicit cost to the government regarding the increase of educational opportunities, but also a direct cost for families who send their children to school. **These direct costs are the main factor affecting the parents' decision not to keep their children in school.** In addition, families who are forgoing the income from child labour (opportunity cost).

## THE PLAN...

In order to offset the costs borne by families, the study proposes the implementation of social protection policies through

**CONDITIONAL  
CASH TRANSFERS**

for families with children and adolescents of school age. This programme will provide a minimum monthly transfer of US\$ 30.

This programme should serve at least

**11 million  
BENEFICIARIES**

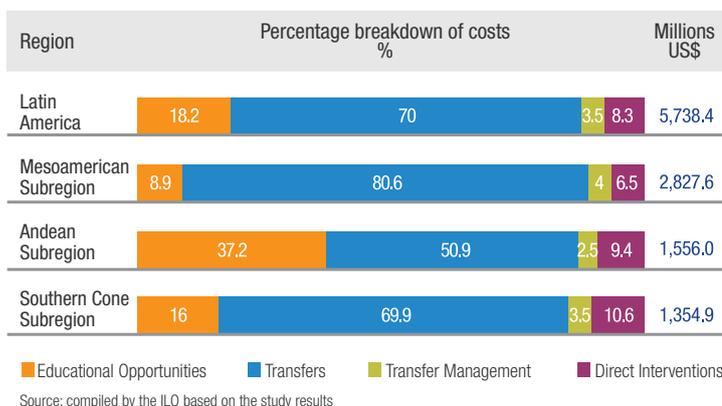
in Latin America and the Caribbean per year, which accounts for an investment of US\$ 4,017 million annually in conditional cash transfers, with an estimated cost to governments of US\$ 200 million.



<sup>3</sup> It should be noted that setting a minimum age for admission to employment falls on each country's legislation, in accordance with the provisions of the ILO Minimum Age Convention, 1973 (No. 138). In the region, it ranges between 14 and 16 years.

On the other hand, it is acknowledged that in order to eliminate child labour it is necessary to implement greater and better educational opportunities with **differentiated interventions** to address the worst forms of child labour, specifically, hazardous work, which is the only type of work that can be statistically captured by the surveys<sup>4</sup>.

**Annual cost to governments to implement the proposal**  
Average 2015-2025



Thus, it is proposed that programmes of direct care aimed at **reducing hazardous work by 5% each year** by 2025 be carried out by the countries. It is estimated that this investment would have a unit cost of US\$ 972 and generate a total cost of US\$ 474 million annually.

As shown in the figure, the highest-cost area is the conditional cash transfer programme, followed by the cost of expanding available education options in terms of quantity and quality.

When adding the cost of programmes funded by the governments, the average is US\$ 5,738.4 million annually in Latin America, a figure that represents the countries' collective Gross Domestic Product (GDP) estimated in 2014.

**For most countries, the annual cost of implementation is 0.3% of GDP or less;** it is higher only for five countries (1.9% in Honduras; 1.5% in Nicaragua, 1.1% in Guatemala, 0.7% in Bolivia and 0.6% in Paraguay). These are the countries with the lowest GDP per capita and, overall, high poverty, truancy and child labour rates.

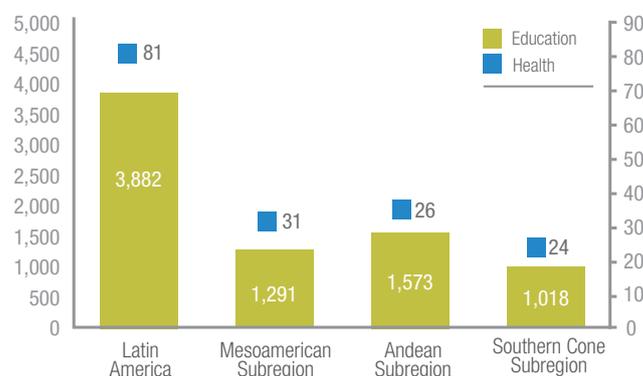
## Benefits of eliminating child labour: **Better educated and healthier populations**



Considering that the benefits of increasing the quantity and quality of available educational options translate into more children and adolescents studying and less of them in child labour, it is estimated that **countries will benefit from a more educated and skilled population, which will result in higher earnings.**

Thus, according to estimates, Latin America and the Caribbean will begin to see the benefits of their investment from 2019 with a net flow of average annual income of US\$ 3,882 million in the countries, with differences within subregions: US\$ 1,291 million in the Mesoamerican Subregion; US\$ 1,573 million in the Andean Subregion; and US\$ 1,018 million in the Southern Cone Subregion.

**Benefits of eliminating child labour: EDUCATION AND HEALTH**  
(Millions US\$)

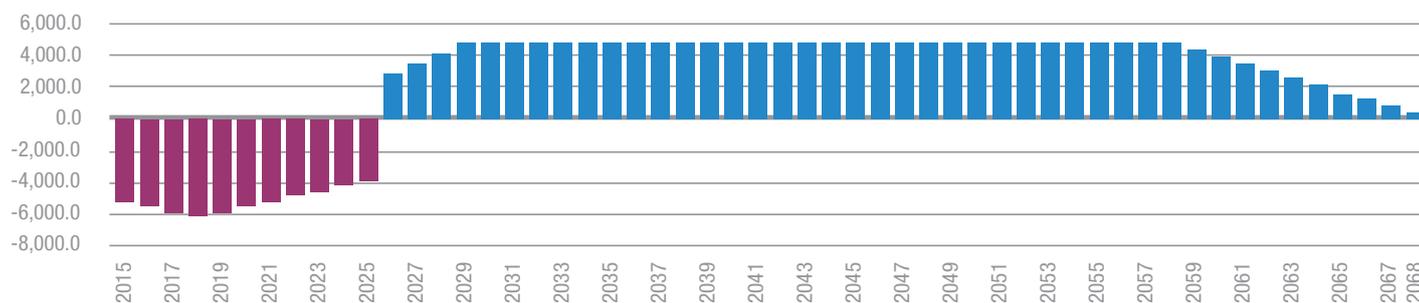


Source: compiled by the ILO based on the study results

<sup>4</sup> The worst forms of child labour are defined by ILO Convention 182 (1999): a) all forms of slavery or practices similar to slavery, such as the sale or trafficking of children, debt bondage and serfdom, or forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; b) the use, procuring, or offering of a child for prostitution, for the production of pornography or for pornographic purposes; c) the use, procuring, or offering of a child for illicit activities in particular for the production and trafficking of drugs, as defined in the relevant international treaties; and d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children.

# Costs versus benefits: The return to investment in children is positive

Net profit estimates for Latin America and the Caribbean (2015-2068)



Source: compiled by the ILO based on the study results



The negative values correspond to the first implementation period, in which prevail increased disbursements related to costs of investment in education, conditional cash transfers and direct interventions to address child labour.



The return on investment is highly positive over a minimum time period of 43 years, where the [benefits begin to outweigh the costs](#) from the tenth year of investment.

Regarding the implementation methodology, the countries will begin to [increase earnings](#), which will still be lower than the costs, [by 2025](#). This income stream is maintained over a 40 year period as shown in the figure above, reflecting the intrinsic implications of returns to human capital (future returns).

At a disaggregated level, it can be observed that the net economic benefit (without financial costs) exhibits [very satisfactory rates of return](#) generally above 13%, being higher in the Southern Cone Subregion (15%). However, when including conditional cash transfers, which as we have seen is the highest-cost component in the proposal, [the rate of return is reduced in all countries](#) significantly, averaging 5% for the region.

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The study on the costs and benefits has shown that implementing a programme for the elimination of child labour is not a cost, but rather an investment and, as such, it will yield significant benefits, both economic and social, to the countries of the region.

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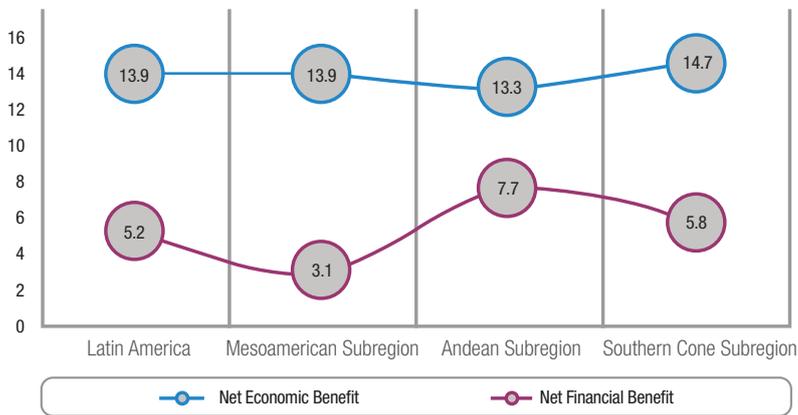


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The rates of return are positive for countries, since the benefits derived from the proposed investments highly outweigh the costs to the government and families.

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Rates of return (%)<sup>5</sup>



Source: compiled by the ILO based on the study results

Even with lower rates of return, elimination of child labour is highly beneficial for the countries

<sup>5</sup> The net economic benefits are the benefits without considering the transfer programme; and net financial benefits are the benefits considering the transfer programme.

A public policy promoting human capital investment in children will allow to reap flow of benefits and increased revenue for each country in the long term: those children and adolescents who grow up away from child labour will be healthier and better able to engage in decent work. There are other benefits that have not been taken into consideration; namely, higher education for the entire population and poverty alleviation brought about by the cash transfer programmes, which would benefit not only child and adolescent labourers, but also children and adolescents who are not working.

## 2025: Latin America and the Caribbean Free Of Child Labour

### It's everyone's job!

**Governments** must implement more aggressive policies bringing together education, social development, health, work and economy and also combining universality with a targeted focus on pockets of hazardous work.

**Businesses and the private sector** must actively link up to this objective, especially with regard to their value chains.

**Trade unions** must strengthen their bargaining and lobbying.

**Society** as a whole must work to reduce social tolerance and permissiveness.



International  
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## Join the ILO and help build a Latin America and a Caribbean free of child labour

Learn more about child labour at:  
Regional Child Labour Reporting System  
[www.lim.ilo.org/ipec](http://www.lim.ilo.org/ipec)



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