The Promise of a Universal Child Grant: Examining the Case

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Why focus on children?

In nearly every country, children are more likely to live in poverty than adults, including the elderly.

Extent of social protection for children worldwide

Figure 1. SDG indicator 1.3.1 on effective coverage for children and families: % of children and households receiving child and family benefits, by region, ILO (2018)
Exploring the potential of Universal Child Grants

Existing UCGs typically comprise:

• Tax-financed
• Non-contributory (mixed system?)
• No means-test
• Unconditional
• Cash (or tax) transfer
• Paid regularly (monthly) to the primary caregiver
• Aged 0-18 (up to 21/24)
• Children who are citizens/legal residents

• UNICEF asking if universal child grants (UCGs) could be an important practical policy proposal to ensure all children realise potential.

• Why focus on cash?

• Benefits of investing in children.

• UCGs could complement UNICEF’s practical approach to progressive realisation (e.g. age 0-3 for ECD) + aspiration of universal coverage of social protection.

• UNICEF plans to examine the case for UCGs.
Worldwide incidence of UCGs and ‘near’ UCGs (selective examples)

N.B. Worldwide incidence of non-contributory means-tested grants for children = Approx. 50 countries with variable effective coverage rates. These countries are not shown here.
**Renewed interest in universalism**

**Figure 3. Relevance of UBI for a UCG? Many parallels (i.e., normatively and characteristically)**

<table>
<thead>
<tr>
<th>Rights based</th>
<th>Universal</th>
<th>Individualised payment (recipient different to beneficiary)</th>
<th>Citizen or legal resident</th>
<th>No means-test</th>
<th>Payment modality (cash)</th>
<th>Non-contributory</th>
<th>Work history/work seeking behaviour irrelevant</th>
<th>Unconditional / obligation free</th>
<th>Non-withdrawable/ non-sanction able</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UBI proposal</strong></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td><strong>UCGs</strong></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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</table>

- SP Floor and Universal Social Protection
- Upsurge of interest in Universal Basic Income proposal + interest of World Bank and IMF
- **BUT:** Retrenchment + public support for SP wains + ‘Deuniversalisation’
Examining the case for a UCG – Pivotal considerations

1. Human rights - The right to social protection
2. Reaching most vulnerable children and avoiding exclusion errors
3. Administrative efficiency and usability
4. Dignity and shame
5. Social cohesion
6. Political economy
7. Affordability and financing
8. Waste and misuse

Missing considerations?
The Case for UCG...

1. Human Rights - The right to social protection + universality
   - Children have the *right social security* *(social protection)*
   - Universality consistent with human rights.

2. Reaching the most vulnerable children and avoiding exclusion errors
   The exclusion risk is lower with universal approaches:
   - **Preventive function:** Targeting misses poverty fluctuations – universal approaches ensure near or newly poor are included
   - **Practical advantage:** Risk of exclusion in poor countries that have limited capacity for targeting and redistribution
3. Administrative efficiency (cost and simplicity) and usability

Admin costs
- Universal schemes average administration cost = 2.5% & targeted programme an average cost of 11% (ILO).

Usability
- Other costs?
- Universal programmes easier to understand for the layperson

But
- Is the administrative efficiency of universal approaches overstated (i.e. nominal UCGs vs substantive)?
4. Dignity and shame

• Shame squanders human potential and is harmful to mental wellbeing and social relations.

• Targeting can be stigmatising and therefore shaming - compounding and perpetuating poverty by discouraging take up rights.

• Universal approach represents better way to ‘shame-proof’ SP.

• Is targeting inherently stigmatising?

Key Qs
• Is a UCG be better placed to reduce shame/stigma compared to targeted approaches
• -Promote benefit take-up and contribute to better quality services and benefits?
5. Social cohesion + 6. Political Economy

Would a UCG make a modest contribution to social cohesion?

- Nordics: **most cohesive societies & most equal** – universalistic SP (incl UCG)
- SP maintains cohesion during shocks - **SP countercyclical automatic stabiliser**
- Targeting creates intracommunity tension

**Political economy considerations regarding USP & UCGs:**

- Creates a **structural coalition** of interests between different income groups.
- Targeting entails **inherent conflict between least well-off & richer groups**.
- Targeted programmes politically weak? Secure broad-based buy in?
- **Kick-start virtuous circle**: trust in social state.
- **Shock-responsive measure?**

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**Figure 5. Gini coefficient reduced significantly by progressivity of taxes & social transfers – SP tool for inequality reduction**

<table>
<thead>
<tr>
<th>Direct taxes &amp; STs contribute to a reduction in income inequality:</th>
<th>Direct taxes and STs + contributory pensions contribute to a reduction in income inequality:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 0.03 percentage points drop in sample of 30 developing countries</td>
<td>• 0.09 pps drop among 22 developing countries</td>
</tr>
<tr>
<td>• 0.07 pps in the US</td>
<td>• 0.11 pps in US.</td>
</tr>
<tr>
<td>• 0.09 pps in EU-28</td>
<td>• 0.21 pps in EU-28</td>
</tr>
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</table>

7. Affordability and financing

<table>
<thead>
<tr>
<th>Coverage</th>
<th>GDP costs</th>
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<tr>
<td>UCG for children 0–5 years, with benefit for each child set at 25% of national poverty line.</td>
<td>1.4% of GDP</td>
</tr>
<tr>
<td>A universal benefit for all orphans 0–15, estimated at 100% of national poverty line</td>
<td>Would add 0.04 pps of GDP to the cost</td>
</tr>
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Key questions?

- How will it be financed in fiscally constrained environments on a sustainable basis?
- Would other programmes have to be cut?
- Does universalism better secure financial resources (PE reasons)?
- If financing is secured, what if resources are spread so thinly the impact is negligible?
- The costs of not doing it (investment case)?
8. Waste and misuse

• Won’t transfers be wasted and misused and lead to increased fertility, dependency, and idleness?

• Robust evidence does not support these concerns (FAO-UNICEF 2015, ODI 2016).

• Important to address these recurrent concerns in a context where Govts are more focussed on poverty/vulnerability.
Please join us for our *International Conference on Universal Child Grants* – 6-8\(^{\text{th}}\) February 2019, at the ILO in Geneva

Thank you
The cost of enhancing social assistance to provide a guaranteed minimum would also vary by context and design choices made. Being the option that would attain the highest coverage and have the highest cost, a UBI could illustrate the upper-bound of a social assistance package. In this regard, a “basic” social assistance package that would cost 9.6 percent of GDP in low income countries, 5.1 percent in lower middle-income countries, and 3.5 in upper-middle income settings. These estimates use a UBI set at the average poverty gap level, aimed at just adults. A more ambitious package, exemplified by a universal basic income that reaches everyone including children, would cost 9 and 5.2 percent of GDP in lower and upper middle-income countries, respectively, in the poorest countries, the cost of such a package would be in the double-digits.\textsuperscript{117}

Table 7.1. Estimated costs of selected elements of a renewed social contract (% of GDP)

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Human Capital Package</th>
<th>Social Assistance Package (as exemplified by UBI)</th>
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<tr>
<td></td>
<td>Basic</td>
<td>More Comprehensive</td>
</tr>
<tr>
<td>Low Income Countries</td>
<td>3.2</td>
<td>10.6</td>
</tr>
<tr>
<td>Lower Middle-Income Countries</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Upper Middle-Income Countries</td>
<td>0.8</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: Authors, based on preliminary results (for Human Capital Package, see Zheng and Sabarwal 2018). Note: The basic human capital package includes (1) supporting early childhood development, including prenatal healthcare, immunization, nutrition, parental leave, high nutrition, and at least 5 years of education school for poor children (2)
# Worldwide incidence of UCGs

<table>
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<tr>
<th>20 high income countries with statutory universal, non-contributory (non-means tested) UCGs often with 100% effective coverage</th>
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<tbody>
<tr>
<td>Australia (100%)</td>
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<td>Norway (100%)</td>
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<tr>
<th>Low income countries with mixed system combining contributory and (means-tested) non-contributory benefit</th>
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<td>Israel (2)</td>
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<th>*Approx. 5 other HICs also have a mixed system but coverage is unknown.</th>
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<td>Canada -2016 reform (2)</td>
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<th>MICs and LICs with statutory universal, non-contributory (non-means tested) UCGs</th>
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<td>Belarus (2)</td>
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<th>MICs/LICs with mixed system combining contributory and (means-tested) non-contributory benefit</th>
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<td>Argentina (84.6%)</td>
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<th>Significant 'near' UCGs (i.e. oriented to achieving universal coverage but experiencing turbulence)</th>
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*2 notable HICs have recently 'deuniversalised' their UCGs by introducing reforms to means-test their child benefit.