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T7 Task Force Strengthening social cohesion

POLICY BRIEF

TOWARDS A GLOBAL UNIVERSAL BASIC INCOME FOR CHILDREN

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Abstract

Our policy brief directly addresses Germany's G-7 priority of tackling issues of "particular global urgency ... to achieve tangible improvements for the people – within G7 countries and beyond, especially in newly industrialising and developing countries" by proposing a global basic income for all children. Even before COVID-19 hit, children were globally twice as likely as adults to live in extreme poverty, with long-term consequences for their life chances. During the past two years, the economic fall-out from the pandemic as well as school closures have further disproportionately hit children. Global shocks, whether pandemics or extreme weather conditions linked to climate change, are likely to only become more common, with negative shocks to our economies and social fabric, and ensuing humanitarian and migratory crises. We call for the establishment of a global universal basic income for all families with children, targeted preferentially via mothers, to ensure access to basic needs. This technically and fiscally feasible measure will have far-reaching benefits in the wellbeing and human capital of the next generation, directly addressing the G-7 policy priorities #2 (economic stability and transformation), #3 (healthy lives) and #5 (stronger together), and indirectly addressing priorities #1 (a sustainable planet) and #4 (investment in a better future). Furthermore, it will set a historical symbolic landmark: the beginning of a true sense of global citizenship where every child born will have his/her most basic needs ensured.

Challenge

Nearly one in every two people living in poverty in the world are below the age of 18 years (UNICEF 2022a). Indeed, with the rare exception of the Nordic countries, children everywhere are more likely to be poor than adults. Poverty is especially concentrated among young children in the global South (Black et.al. 2017). In low- and middle-income countries, almost one-fifth of children below the age of five lived in extreme poverty in 2019, meaning that their most basic nutritional needs were not being met. More broadly, when poverty is measured multidimensionally, UNICEF estimates that close to 1 billion children live in poverty as of 2021 (UNICEF 2022b).

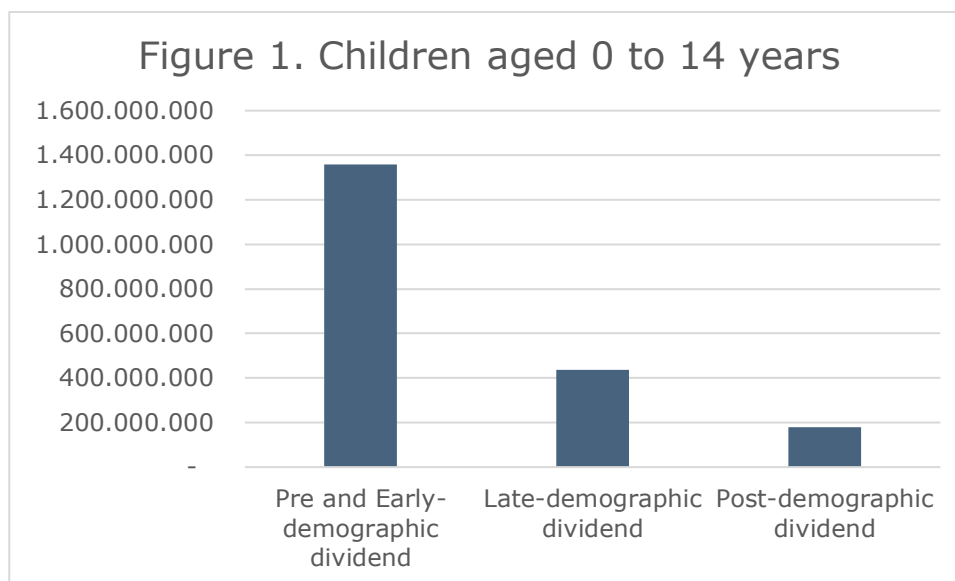
Neuroscience, experimental psychology, and a myriad of sociological and economic studies show that childhood – especially early childhood – is the most critical window of opportunity for investment in persons to promote equality of opportunity (Black et.al. 2017; Berens et.al. 2019). Leaving so many children behind in poverty and extreme poverty is a violation of human rights but also hugely wasteful in terms of human capital (Jensen et.al. 2017).

The COVID-19 pandemic has further deepened the fragility of living conditions among children. Even though children have been less at risk epidemiologically, they have been hard hit by the pandemic-associated socio-economic fall-out. This situation is exacerbated in the global South, where most of the active labor force hold informal jobs without social security, and it is precisely these households that are more likely to have children. When shocks ensue, these households are the most likely to fall below minimum levels of welfare, and to risk immediate hardship.

COVID -and especially the containment measures that so drastically disrupted economies and societies- led governments to implement temporary emergency programs that massively reached households during the pandemic (Gentilini et.al. 2021). These measures proved that under the pressure of the pandemic's toll, even governments with weak social policies could create and mobilize institutional capacities (Blofield et.al. 2021; Martínez Franzoni and Sánchez-Ancochea 2021; Rochowski et.al. forthcoming). The problem is that these measures fell short in coverage and duration, especially among children.

Meanwhile, fertility is decreasing across the board, even if unevenly. Figure 1 provides a snapshot of the absolute numbers of children born in countries at different stages of their demographic transition. This term refers to the changing share of the total population that is working age relative to the non-working age population, as fertility declines while life expectancy increases. The demographic dividend refers to the share of working to non-working population; as the population ages, the dividend closes. There are countries where the demographic dividend has not started or has just started; countries advanced in this process; and countries where the process is completed, and the demographic dividend is over. The first group of countries are mostly low or lower-middle income countries, lagging in key human development indicators and with high current fertility rates. In the second group, low mortality and low fertility increase the share of the older population, a process known as population aging. Fertility in this group is either slightly above or below the replacement level (roughly 2.1 children per women). Countries where the

demographic transition is over are mostly high-income countries where fertility has transitioned below replacement levels.



Source: World Development Indicators.

As Figure 1 indicates, almost 1.4 billion children live in the pre and early demographic dividend, low and middle-income countries, while less than half of that number live in the late and post-demographic dividend countries. Migration is one obvious form by which these families from the poorest regions in the world will (increasingly) attempt to ensure basic needs for their children, pressured by poverty, climate change and conflict. Without immediate policy intervention, these children are suffering and will continue to suffer the multiple short, medium and long-term effects of lack of basic needs coverage, with massive collective and global implications for future social cohesion. Progressive redistribution through a global measure that ensures basic needs is urgent. To it we turn.

Proposals

To address this global problem, we need a global policy tool. Building on the policy brief by Grimalda et. al. (2021), we advocate for a Global Universal Basic Income (GUBI) for all families with children from 0 to 14 years of age, at the World Bank extreme poverty level of US 1.90 dollars per child per day.¹ Such a transfer would ensure a minimum income floor for families to cover the basic nutritional needs of their children. Aligned with the G-7 priorities, our policy proposal would produce *tangible improvements* to billions of children and their caregivers around the world, and thus address *an issue of global urgency and importance to people's everyday lives*. This broad definition of eligibility avoids both political backlash and complex and potentially administratively costly demarcation lines to assess and monitor need. It also establishes a historic foundation for building long-term global social cohesion, linked to G-7 Policy priority #5 (Stronger Together).

A universal cash transfer for children also directly contributes to G-7 Policy Priority #2: *Economic stability and transformation: Safeguarding economic recovery and financial stability*. It creates a basic buffer between external shocks and the ability of vulnerable households to access basic needs, enabling them to materially care for and invest in their children. Indirectly, such a transfer would also promote job creation and economic growth their impact on increased demand.

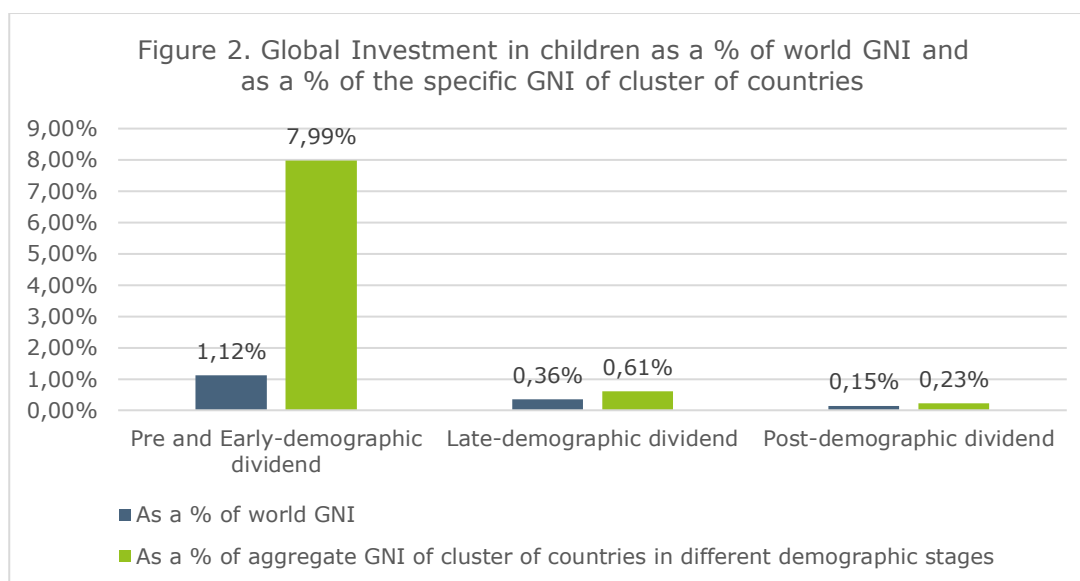
A universal cash transfer for children also directly contributes to G-7 Policy Priority #3: *Healthy lives*. Access to nutrition directly impacts health and development. Moreover, transfers can reduce caregivers' stress and mental health challenges, making it easier for them to offer nurturing care to help children achieve their developmental potential (Black et.al. 2017; Britto et.al. 2017). Over half of children around the world experience different forms of violence, and children living in poverty are at heightened risk (Hills et.al. 2016; Cuartas et.al. 2019; McCoy et.al. forthcoming). Therefore, transfers to children would help promote violence prevention and mitigation (Sustainable Development Goal target 16.2) and align with promising strategies to prevent violence against children identified by the World Health Organization's INSPIRE framework (UN WHO 2016). In addition, cash transfers foster school attendance among children as they can replace revenue from child labor income, contributing to G-7 Policy priority #4, Investing in a Better Future.²

Given the strong evidence that transfers channeled through mothers most effectively ensure investment in children (Glassman et. al. 2013; Bastagli et.al. 2019), we recommend that mothers be prioritized as recipients. Evidence also indicates that transfers targeted at mothers promote women's economic empowerment and a reduction in intimate partner violence (Buller et.al. 2019; Baranov et.al. 2021), and thus also contribute to G-7 Policy priority # 5, *Stronger together: committing to open, resilient and gender-equitable societies and human rights*.

It is worth noting that this measure would be complementary to other efforts to provide a universal basic social protection floor, including in services. Moreover, the goal would not be to displace national programs, but in countries where such transfers already exist, enable and encourage these resources to build upon the EPL floor, in the form of higher transfer adequacy and complementary programming, especially in education and health services.

Implementations

A Global Universal Basic Income (GUBI) for children would require the creation of a Global Fund for Children. The proposed transfers would grant US 1.90 dollars a day for each child for a full year (365 days). This amounts to a total cost in transfers of US 1,37 trillion dollars, representing 1.63% of global Gross National Income (GNI). The transfer would be highly progressive because most of the effort would go to poor countries in the pre-demographic dividend and early demographic dividend stages, representing a net influx of resources roughly equivalent to 8% of their total GNI. Figure 2 outlines the relative cost burden across the different demographic dividend countries.



Source: World Development indicators.

As Figure 2 indicates, the overall annual cost (without administrative overhead) of a GUBI for families with children would amount to 1.63% of global GNI in 2020.³ Drawing on the calculations made by Grimalda et al. (2021), three basic stable sources of progressive taxes proposed to finance a GUBI would yield an overall financial capacity of around 12% of world GNI. This includes a global wealth tax⁴, a carbon tax⁵ and a Tobin tax⁶, proposals that are being discussed now more seriously than ever. Only a fraction of such estimates – under fifteen percent – would be needed to finance a Global Children’s Fund for a GUBI for families with children.

Once the financial resources are secured on a global level, the implementation and delivery of transfers is relatively straightforward. The development of a universal child transfer requires building on existing population databases and cash transfer delivery mechanisms. Creating, merging and expanding databases to target all children is technically feasible, and doable in a relatively short time frame. Indeed, cash transfer delivery mechanisms have undergone significant innovation and expansion over the past two years and can provide many lessons to draw upon (World Bank 2020; Blofield et. al. 2020). Moreover, the process of establishing the transfer on a national level will contribute to state capacity-building.

In addition, given their simplicity and transparency, cash transfer programs are less susceptible to mismanagement and corruption than other, more complex programs. Reduced opportunities for corruption not only enhance the quality of the programs, they reduce political costs and can even potentially increase support for government programs and trust in institutions, something that is sorely lacking today. In sum, the economic and social return of this investment could not be greater. Moreover, this basic income floor for all children can pave the way, as proposed by Grimalda et al. (2021), for a true global social citizenship.

Endnotes

¹ We consider transfers to children 0 to 14 years as a point of departure, and also strongly recommend including youth 15 to 17 years old if resources are politically available, as the positive effects of the transfers extend to youth as well. Such transfers could be especially beneficial for teenage girls, who face particular risks such as teenage pregnancy and, while depending on country and region, have been especially vulnerable to dropping out of school in the aftermath of COVID-related school closures.

² Many countries, especially in Latin America, have implemented targeted conditional cash transfer programs to poor families with children, requiring school attendance and health check-ups in return for the transfers. While this has increased school attendance (Millán et. al. 2019), it is not clear that it is due to conditionality per se, and there has been a great deal of debate over the potential negative side effects of conditionality (see Martinez Franzoni and Voorend 2012). Therefore, we advocate for non-conditional transfers and for a supply-side provision of complementary services.

³ Including youth 15 to 17 years old in the transfers would increase the total cost by approximately 0.349% of global GNI (a rough estimate).

⁴ Taxing millionaires at 2% and billionaires above an exemption threshold would have raised in 2017 \$2.65 trillion, equivalent to 3.3% of world GDP (Grimalda et. al. 2021).

⁵ A carbon tax could raise around US \$1.6 trillion per year between 2020 and 2030, i.e., around 1.9% of current world GDP (Jacob et al., 2016). Should a carbon tax be regressive in some countries, compensatory measures to the poor should be undertaken (Schwerhoff et al., 2017; Klenert et al., 2018).

⁶ Taxing financial transactions worldwide, amounting to no less than US \$12,000 trillion, at the rate of 0.1%, would generate around 7% of world GDP as revenue – even assuming that half of the tax base would be lost, due to either avoidance or evasion (Grimalda et. al.2021).

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