

Combating Child Poverty and Deprivation: *The Promise of a Universal Child Grant*

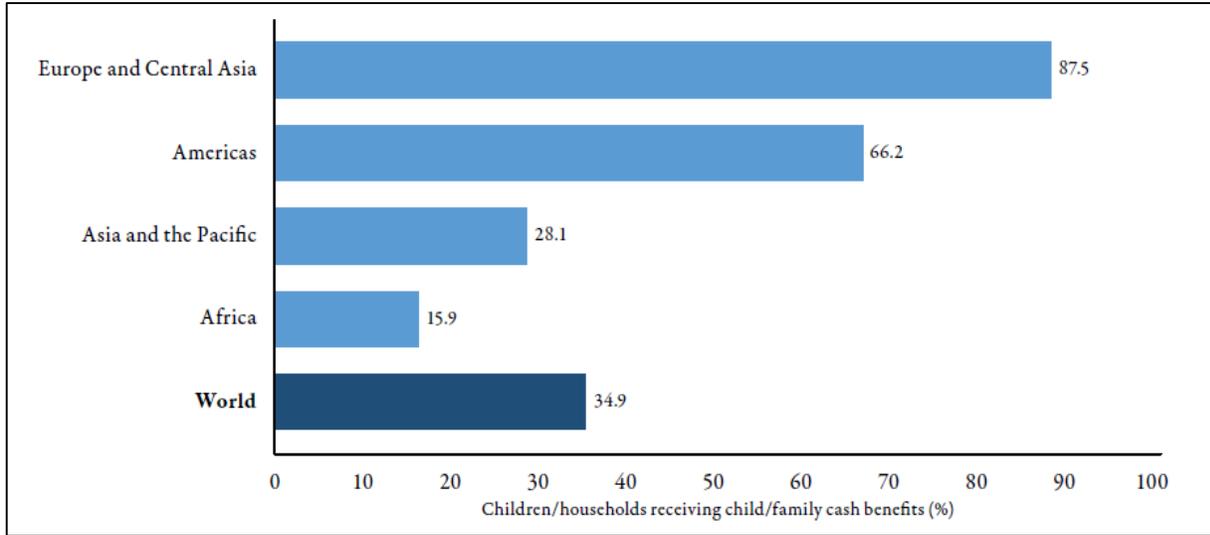
Addressing Inequalities and Challenges
to Social Inclusion through Fiscal, Wage
and Social Protection Policies –
UNDESA , 25-27 June, 2018

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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



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

Figure 2. What do we mean by a UCG?

Existing UCGs typically comprise these characteristics:

Legal coverage	Usually (child) <i>citizens</i> , legal residents
Financing	<i>Tax-financed non-contributory or mixed approach</i>
Modality	<i>Paid in cash</i> and occasionally as a tax credit/benefit
Paid to who	<i>primary caregiver</i>
Periodicity	Paid <i>regularly</i> (usually monthly), occasionally as a yearly lump sum
Amounts	Varies according to the number and age of children in HH
Ages	<i>Paid aged 0-18</i> ; possibly longer if in full time education/apprenticeship (i.e. 21, 25) or severely disabled
Conditions	<ul style="list-style-type: none"> Usually <i>non-withdrawable unconditional</i> and obligation-free A few UCGs are conditional on school attendance

- UNICEF is asking if **universal child grants** (UCGs) could be an important *practical* policy instrument to ensure all children realise their potential
- **Why focus on cash?** Overwhelming evidence that cash has positive impacts on child outcomes.
- **Benefits of investing in children:** Long-term economic growth, country's 'human capital', maximise inter-sectoral synergies (health, nutrition & education).
- UCGs could complement UNICEF's practical approach to **progressive realisation + aspiration of universal coverage of social protection.**
- UNICEF plans to **examine the case** for UCGs + **convening an international conference** to consider the evidence **on the 6-8th Feb 2019 at the ILO.**

Renewed interest in universalism

- SP Floor & Universal Social Protection Initiative
- Upsurge of interest in Universal Basic Income (UBI)
BUT: Retrenchment and waning public support in some quarters

Figure 3. Relevance of UBI for a UCG? Many parallels

	Rights based	Universal	Individualised payment (recipient different to beneficiary)	Citizen or legal resident	No means-test	Payment modality (cash)	Non-contributory	Work history/work seeking behaviour irrelevant	Unconditional/obligation free	Non-withdrawable/non-sanctionable
UBI proposal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
UCGs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Current status of UCGs

High-income countries:

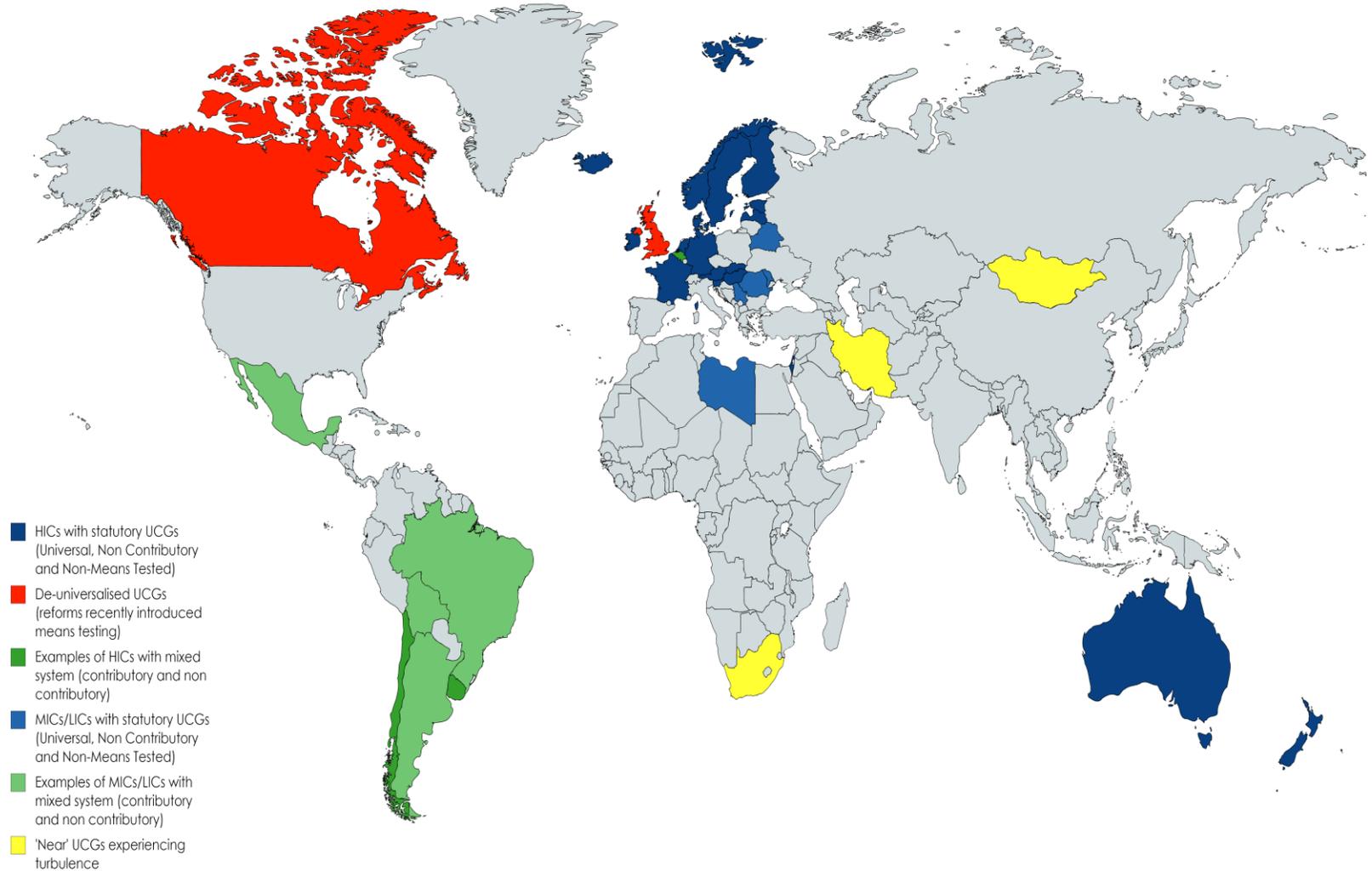
- 20 HICs have fully-fledged statutory UCGs
- UCGs staple policy measure: 10 countries introduced their UCGs in the aftermath of World War II

Middle and lower income countries

- 5 MICs/LICs countries have statutory UCGs.
- Some have mixed-system approach
- Several countries expressed a preference to universalise coverage
- **Plans for UCGs:** UNICEF is assisting govts of Angola, Bangladesh, Kenya, Tunisia to develop UCGs

Why gap outside HICs? Resources? Other practical challenges?

Worldwide incidence of UCGs



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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

The Case for UCG

Right to social protection

- Children have the *right social security (social protection)*
- Universality consistent with human rights

Reaching the most vulnerable children and avoiding exclusion errors

- Avoids risks created by targeting, e.g.
 - missing poverty fluctuations
 - Low capacity for targeting efforts
 - Obstacles and opportunity costs for poor to be included in targeted schemes



Abbreviated tables from 2018 ILO study of admin costs of universal vs targeted schemes

Administrative efficiency

- Cost
- Simplicity

Usability

Country/ territory	Scheme type	Programme name	Administration costs (percentage of total benefits)	Inception year	Data year
Botswana	Social Pension	Old-Age Pension	4.5 ¹	1996	1999
Cabo Verde	Social Pension	National Centre of Social Pensions (CNPS)	1.4 ²	2006 ³	n/a
Kosovo	Social Pension	Old-Age "Basic Pension"	1.5 ¹	2002	2006
Mauritius	Social Pension	Basic Retirement Pension	2.5 ¹	1976	1999
Namibia	Social Pension	Old-Age Pension	4.4 ¹	1949 ⁴	1999
New Zealand	Social Pension	Old-Age Pension (Superannuation)	0.5 ¹	1898	2005/6
Average			2.5		
Malawi	Cash Transfer	Social Cash Transfer	15.0 ¹	2006	
Mexico	Cash Transfer	Tortivales	12.0 ³	1990	1992
Mexico	Conditional Cash Transfer	PROGRESA / Oportunidades	6.0 ²	1997	2003
Morocco	Public Works	Promotione Nationale	6.0 ²		1990
Pakistan	Conditional Cash Transfer	Pakistan Child Support Program	8.0 ¹	2006	
Peru	Public Works	A Trabajar Urbano	23.0 ²	2002-2003	2003
Peru	Conditional Cash Transfer	Juntos	12.0 ¹	2005	
Romania	Cash Transfer	Guaranteed Minimum Income Program	9.8 ²	2002	2003
Rwanda	Public Works - Cash Transfer - Access to Finance	Vision 2020 Umurenge Program	8.0 ¹	2008	2010
South Africa	Social Pension	Older Persons Grant	5.2 ⁵	1997	2014
Yemen	Cash Transfer	Social Welfare Fund	8.5 ²		2001
Yemen	Public Works	Second Public Works Programs	3.7 ²		2003
Zambia	Cash Transfer	Kazungula SCT (Rural)	20.0 ¹	2003	2008
Zambia	Cash Transfer	Chipata SCT (Urban)	10.0 ¹	2003	2006
Average			11.0		

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
- **Key Q:** *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?*



Social Cohesion & Political Economy

Would a UCG make a contribution to social cohesion?

- Creates a **coalition of interests between different income groups**
- **Can help establish/maintain the ‘social contract’** Supports legitimacy and institutional sustainability.
- **Kick-start virtuous circle:** If citizens receive Sp may be more willing to pay taxes and enter formal work
- **Universalism signals a clear message:** All citizens have a stake in society generally, and provision of social protection programmes specifically – leading to sustained and quality programmes.
- **Shock-responsive measure** Large numbers of children live in crises-prone contexts (UCG could enable scale up) - attractive argument to prospective UCG states

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

Direct taxes & STs contribute to a reduction in income inequality:	Direct taxes and STs + contributory pensions contribute to a reduction in income inequality:
<ul style="list-style-type: none"> • 0.03 percentage points drop in sample of 30 developing countries 	<ul style="list-style-type: none"> • 0.09 pps drop among 22 developing countries
<ul style="list-style-type: none"> • 0.07 pps in the US 	<ul style="list-style-type: none"> • 0.11 pps in US.
<ul style="list-style-type: none"> • 0.09 pps in EU-28 	<ul style="list-style-type: none"> • 0.21 pps in EU-28

Source: WB, World Development Report 2019.

Affordability and Financing

ILO's 2017 costing simulations of different types of UCGs in 57 Low Income Countries	
Coverage	GDP costs
UCT for children 0–5 years, with benefit for each child set at 25% of national poverty line.	1.4% of GDP
A universal benefit for all orphans 0–15, estimated at 100% of national poverty line	Would add 0.04 pps of GDP to the cost

Costs and efficiency of a universal child allowance versus universal food and fuel subsidies in Tunisia (simulation of fuel subsidy converted to UCG)

	(I)	(II)	(III)	(IV)
	Total cost (USD)	Impact on poverty rate (percentage points)	Impact on poverty headcount	Cost of lifting 1 person out of poverty (USD)
Food and fuel subsidies	1,464,683,061.22	–6.62	–704,315	2,079.59
Child allowance 10% of HH expenditure	353,922,840.17	–3.23	–343,646	1,029.91
Child allowance 20% of HH expenditure	761,144,258.94	–6.17	–656,438	1,159.51
Child allowance distributing all savings of subsidies	1,464,683,061.22	–12.70	–1,351,178	1,084.00

- Won't transfers be wasted and misused and lead to increased fertility, dependency, and idleness?
- Important to address these concerns in a context where Govts are more focussed on poverty/vulnerability

SOCIAL INCLUSION SUMMARIES January 2017

Addressing the Myths: Do social protection programs lead to misuse and dependency?

KEY MESSAGES

- A common misunderstanding is that cash transfers are misused and lead beneficiaries to become dependent on "handouts".
- The vast majority of studies, from a range of contexts, point to the contrary indicating that transfers do not discourage work and that they are typically put to productive use.
- Evidence shows that transfers are not spent on alcohol and tobacco. In some cases the transfers actually reduce the spending on these goods.
- Evidence consistently demonstrates that rather than encourage dependency, transfers improve labour market participation and create opportunities for beneficiaries to become more self-sufficient by increasing productive investments.

THE CLAIM: CASH TRANSFERS ARE MISUSED AND FOSTER DEPENDENCY

Currently, one billion people in developing countries participate in at least one social assistance program that provides support to low income individuals and households.¹ These programmes are proven to have positive impacts on a range of outcomes from reducing food insecurity, poverty and vulnerability to specific child related outcomes such as schooling, health and nutrition among many others.

However, despite the proliferation of these programs across the world, they are often criticised on the grounds that they lead to participants becoming dependent on the programmes without providing incentives to work or finding work. An associated assumption is that if poor people are given social assistance – particularly cash transfers – they will 'waste' it on demerititious goods.



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THE ARGUMENTS UNDERPINNING DEPENDENCY AND MISUSE

While in any large programme there may be individual cases leading to anecdotal examples to support these concerns, it's important to view them in light of the overall empirical evidence of the programmes. This policy brief draws on existing evidence to analyse these concerns about social assistance and its propensity to induce dependency and misuse.

Discussion of dependency can reveal different concerns.² One strand relates to changes in behaviour that people might make either to qualify or remain eligible for a programme. Specifically this suggests that people who receive regular free transfers will be discouraged from working, especially if the value of the transfer is close to or above the income that the recipient could expect to earn from paid employment.³

Another related point is the idea that transfers create a dependency syndrome or mentality in which people start to expect continued assistance, which in turn undermines their self-reliance and motivation, thereby breeding laziness.⁴

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Please join us for our *International
Conference on Universal Child Grants* –
6-8th February 2019, at the ILO in
Geneva

Thank you