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T7 Task Force Strengthening social cohesion

DRAFT for Discussion

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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 guaranteed.

Challenge

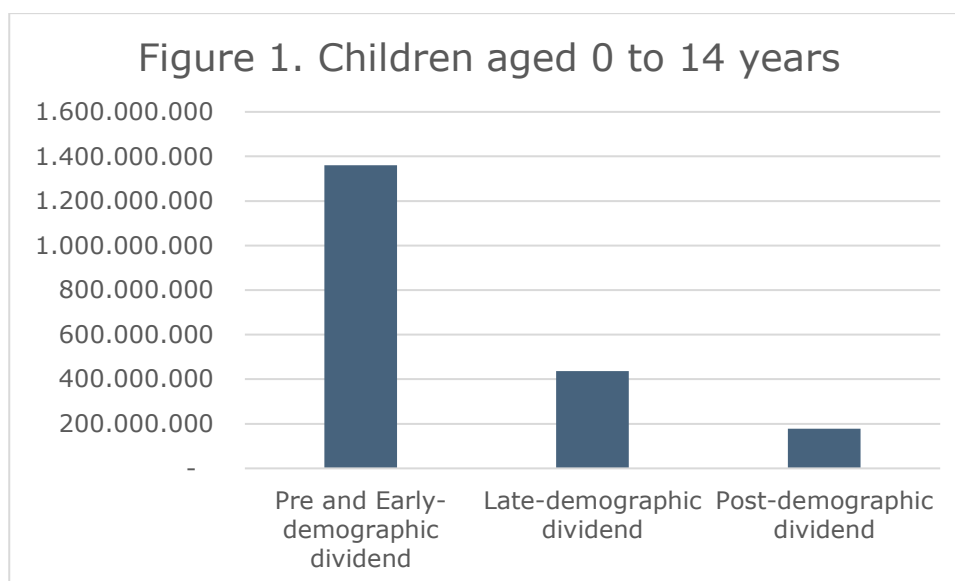
Nearly one in every two people living in poverty in the world are below the age of 18 years (UNICEF 2022a). Poverty is especially concentrated among young children in the global South (Black et.al. 2017). In low- and middle-income countries, almost one-fifth of children below the age of five lived in extreme poverty in 2019. With the rare exception of the Nordic countries, children everywhere are more likely to be poor than adults. This is even more apparent when poverty is measured multidimensionally. UNICEF estimates that close to 1 billion children live in multidimensional poverty as of 2021 (UNICEF 2022b).

The 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 socio-economic fall-out from the pandemic. 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. Households with children are the most likely to fall below minimum levels of welfare when shocks ensue, as they are less likely to have access to social protections.

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).

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 because the share of the working population is changing regarding the share of the non-working population (i.e. the demographic dividend moves from large to none). There are countries where the demographic dividend has not started or 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 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 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 to their children, pressured by poverty, climate change and conflict. Without immediate policy intervention, these children will 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. 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

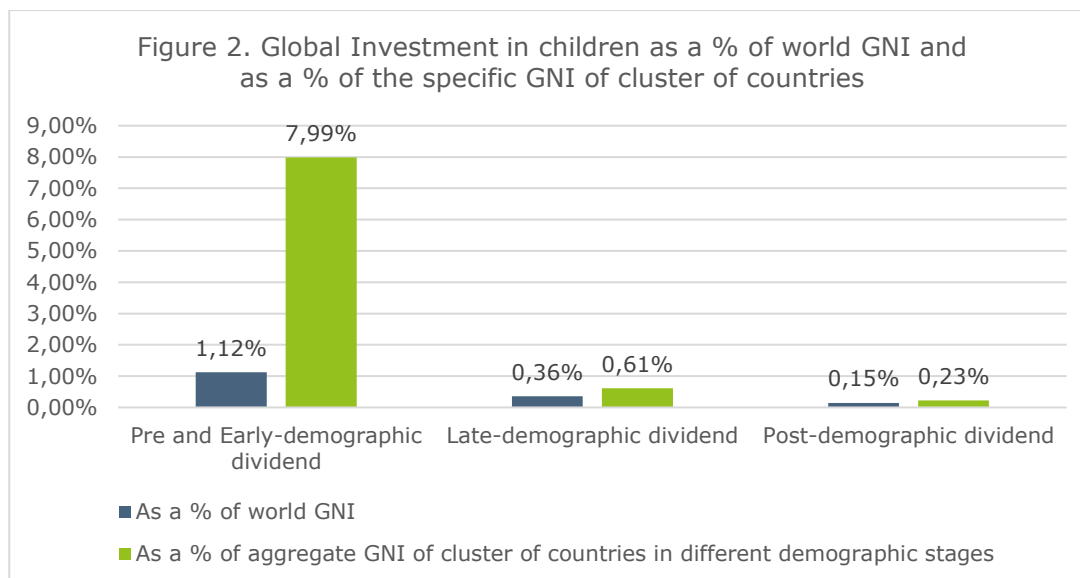
materially care for and invest in their children. Indirectly, such transfers also promote job creation and economic growth their impact on increased demand.

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).

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*.

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. 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 tax¹, a carbon tax² and a Tobin tax³, 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 quite straightforward. Moreover, given their simplicity and transparency, cash transfer programs are less susceptible to mismanagement and corruption than other, more complex programs. While oversight and distribution should be managed by the Global Children’s Fund, delivery should take place by the state at a national level, to contribute to state capacity-building. The development of a universal child transfer requires building on existing population databases and cash transfer delivery mechanisms. These 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).

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 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).

² 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).

³ 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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Merike Blofield is Director of the Institute for Latin American Studies at the German Institute for Global and Area Studies (GIGA), and professor of Political Science at the University of Hamburg. Before this, she was Professor of Political Science and Director of Gender and Sexuality Studies at the University of Miami. Blofield researches topics that intersect social, gender, labor, health, and family policy, with a focus on Latin America. Aside from two monographs, her publications include articles in *Lancet Global Health*, *Comparative Politics*, *Social Politics*, *Latin American Research Review*, and two recent co-authored works for the United Nations Economic Commission for Latin America and the Caribbean. She is also member of the Scientific Advisory Committee for The Lancet Commission on Gender-Based Violence and Maltreatment of Young People.

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Diego Sánchez-Ancochea is Head of Department at the Oxford Department of International Development, professor of the Political Economy of Development and member of the University Council at the University of Oxford. His research aims to identify the best ways to reduce income inequality through the use of social and productive policies, with particular attention to the Latin American experience. In 2020 he published *The Costs of Inequality: Lessons and Warnings for the Rest of the World* (Bloomsbury). Together with Juliana Martínez Franzoni, he is the author of *The Quest for Universal Social Policy in the South. Actors, Ideas and Architectures* (CUP, 2016) and *Good Jobs and Social Services: How Costa Rica Achieved the Elusive Double Incorporation* (Palgrave MacMillan, 2013). He is Associate Editor of *Oxford Development Studies* and has collaborated with different international institutions like the World Bank, UNDP and the ILO.



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