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UNIVERSAL BASIC INCOME GUARANTEE FACTSHEET SERIES

# HOW A UBIG CAN SUPPORT HEALTHIER KIDS, HAPPIER ADULTS, & LIFELONG LEARNING

## Introduction to UBIG

A universal basic income guarantee (UBIG) is a commitment by government to ensure that everyone has a minimal level of income to meet their basic needs. This is done through a regular cash transfer or grant. The benefits of a UBIG are not just economic. A UBIG can benefit society by improving health outcomes, increasing human capital, and improving educational outcomes.



### THE FOUR ELEMENTS OF A UBIG

- ✓ **UNIVERSAL** – applies to all adults.
- ✓ **BASIC** – covers basic necessities.
- ✓ **INCOME** – a regular cash benefit.
- ✓ **GUARANTEE** – provided as a right.

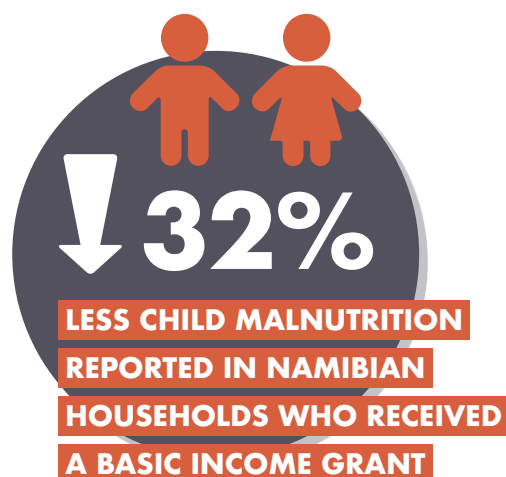
## | UBIG and health

There is a mutually reinforcing relationship between poverty and poor health. Poverty not only leads to poor health outcomes: poverty-related illnesses themselves create a poverty trap. As such, direct poverty reduction interventions like the UBIG also contribute to reducing poverty-related illnesses, and the social and economic costs of poor health outcomes over time.

The evidence for this effect of cash transfers comes mostly from research on child and infant health. Health outcomes in childhood have lifelong implications in adulthood, and broader socioeconomic implications. As such we focus predominantly on the impact of cash transfers on child health here. Poor maternal health and nutrition results in lower birth weight for infants, poor growth in childhood, impairment of cognitive and physical development, higher prevalence of diseases in adulthood, and impedes on school success and productivity in the labour market in adulthood.<sup>1</sup> All of these factors lessen the chances that someone will be able to escape poverty. There is strong evidence that cash transfers can diminish these effects and produce health benefits in both the short and long term, as well as contribute to breaking the reproduction of structural poverty.

In South Africa, research has shown that the Child Support Grant (CSG) has immediate welfare benefits as well as longer-term payoffs. Evidence shows that the CSG results in gains in child height (an indication of improved child health) and higher adult earnings.<sup>2</sup> International studies have shown that cash transfers substantially decreased malnutrition levels in children. Transfers also improved child health outcomes, with improved infant health indicators, increased birth weight and a decreased likelihood of child obesity.<sup>3</sup> Cash transfers in India allowed recipients to meet their daily food needs and improve dietary variety.<sup>4</sup> Increased food security and nutrition resulted in a higher age-to-weight ratio for children. Households in Namibia that received a basic income grant reported that levels of child malnutrition decreased by 32 percentage points a year after the introduction of the grant.<sup>5</sup>

Cash transfers improve child health outcomes. Over time this can also reduce peoples' long term vulnerability to poverty—helping to disrupt structural poverty, along with its negative health consequences.



## | UBIG and mental health

Some promising evidence also shows that cash transfers can have a positive impact on mental health. Poverty and economic insecurity produce stress and anxiety.<sup>6</sup> In Gauteng, there is a negative relationship between socio-economic status and the risk of depression, and this risk has increased since COVID.<sup>7</sup> A UBIG can increase peoples' agency over their lives and in turn their life satisfaction.

Research demonstrates that cash transfers improve the wellbeing of recipients. A UBIG can support the five markers of psychological wellbeing, namely agency, security, connection, meaning, and trust.<sup>8</sup> Research from an unconditional cash transfer programme in Kenya showed increases in life satisfaction, and happiness.<sup>9</sup> These results are in line with other meta-studies which have found a significant positive relationship between cash transfers and mental health.<sup>10</sup>

In the long term, cash transfers can mitigate the effect of intergenerational transmission of depression and decrease the likelihood of adolescent depression for those with a depressed parent.<sup>11</sup> Furthermore, recent research from South Africa shows these positive effects of social grants enables individuals to improve their labour market outcomes which can decrease their long-term risk of poverty.<sup>12</sup>

## UBIG and educational outcomes

Even if education is free, additional income from grants often goes towards school transport, uniforms, materials as well as menstrual products for children who would otherwise have to miss school.<sup>13</sup>

Research on the impact of the CSG in South Africa has shown that it results in children completing higher grades of schooling, and achieving higher test scores on arithmetic and reading. There is also a reduction in grade repetition, and an increase in grade attainment for learners in households that received a CSG.<sup>14</sup> Notably, the CSG reduced the educational gap between children whose mothers were more or less educated—helping to reduce the historical legacy of inequality. However, the benefits of a CSG are diluted as the grant, despite being targeted at children, is in practice spread across the needs of households. A UBIG, introduced as a complement to the CSG, would enable the CSG to have an even more pronounced impact on children's education. Furthermore, the universal nature of a UBIG ensures that everyone can receive these benefits, and that none are excluded due to just missing the threshold for the CSG.

These positive impacts hold true in both domestic and international studies—research shows an increase in secondary school enrolment. School enrolment at the secondary level increased by 5 to 15 percentage points across eight Sub-Saharan African countries as a result of cash transfers.<sup>15</sup> The cash transfers were used on educational materials, as well as spending which improves school attendance such as clothing and shoes. In Tanzania, a cash transfer programme increased both school participation rates and the rate of primary school completion.<sup>16</sup> Such impacts are pronounced even when transfers are not conditional on children being in school. Unconditional cash transfers increased school enrolment by 20% in a metastudy focusing on low- and middle-income countries.<sup>17</sup>

Cash transfers such as UBIG also support adult education. They allow people to adapt to changing economic conditions by learning relevant skills, bolstering their economic security. The money is spent on both the direct costs of education and re-skilling for adults, as well as compensating for the opportunity cost of time spent in education.<sup>18</sup> A UBIG can contribute to re-skilling adults, by giving them greater choices, thus increasing their productivity in the labour market, which is especially important in the face of climate change and the need for skilled workers in a green economy.

A UBIG is considered an investment into human capital due to its positive impact on labour market productivity and education, and helps to disrupt the cycle of structural poverty.



**5–15%**

**INCREASE IN SCHOOL ENROLMENT AT SECONDARY LEVEL AS A RESULT OF CASH TRANSFERS IN 8 AFRICAN COUNTRIES**

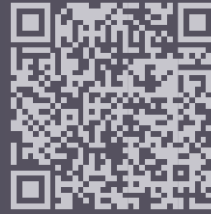
**20%**

**INCREASE IN SCHOOL ENROLMENT FROM UNCONDITIONAL CASH TRANSFERS ACROSS MANY LMICS**

# Endnotes

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Visit our special UBIG portal by scanning the QR code



Read more in the IEJ's Working Paper: [Can a Universal Basic Income Contribute to Breaking Structural Poverty in South Africa?](#), and accompanying [Annotated Bibliography](#).

This factsheet is part of our series on the universal basic income guarantee (UBIG) in South Africa.

Factsheets in this series are:

1. Why does South Africa need a Universal Basic Income Guarantee?
2. No one left behind: Why universal basic income makes more sense than targeted grants
3. Jobs versus Grants: Are employment and basic income a policy trade off?
4. How a UBIG can support healthier kids, happier adults, and lifelong learning
5. How a UBIG can advance gender justice and social cohesion
6. Not just a handout: How a UBIG gives people the power to prosper
7. "But how will we pay for it?" Financing a UBIG

Forthcoming factsheets in this series will focus on:

- Modelling pathways to a UBIG
- UBIG and the rising cost of living
- UBIG and the just transition

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