



Universal Child Benefits as a Tool for Poverty Reduction

A Microsimulation-Based Case Study of Spain

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Abstract

In the context of Spain's persistently high child poverty rate, this chapter uses microsimulation to assess the impact of implementing a Universal Child Benefit (UCB). Simulating monthly benefits of €100 and €200 per child, the analysis finds the more generous scenario would reduce the child at-risk-of-poverty rate by nearly 28% and the extreme poverty rate by 43%. The impact is most pronounced for vulnerable households, such as single-parent and large families, and also significantly reduces poverty intensity. The study estimates the gross

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fiscal cost at 0.8–1.6% of Gross Domestic Product and concludes that a UCB would be an effective foundational policy for Spain, offering a relevant model for other countries seeking to strengthen their social protection systems.

Keywords

Child poverty · Microsimulation · Universal child benefit · Cash transfers · Poverty reduction · Social policy

JEL Codes

I32 · I38 · J13

Introduction

Childhood is the decisive window for building a society's future human and social capital, yet far too many children start life with severe material deprivation. Globally, before the COVID-19 pandemic, 356 million children—one in six worldwide—were living in extreme monetary poverty (Global Coalition to End Child Poverty, 2022). What is more, this phenomenon proves to be persistent even among the most developed countries: long-term shifts in family structure, labor-market insecurity, and the inadequate adaptation of social policies have driven child-poverty rates upward in more than half of OECD countries since the early 1990s; more recently, one in seven children in advanced economies and 24.4% of children in the European Union live in poor or socially excluded households (Thévenon et al., 2018; Global Coalition to End Child Poverty, 2022).

This global challenge of child poverty takes on particular urgency in Spain, making it a compelling case study for understanding this issue within advanced economies. Despite its standing as one of the largest economies in the European Union, Spain consistently records some of the highest rates of child poverty and social exclusion among its developed peers (Hernández et al., 2025). The severity of Spain's situation is illustrated in Fig. 1, which draws on the OECD Income Distribution Database to compare child poverty rates across member countries. The figure reveals considerable disparities among developed societies: many Nordic and continental European countries, for instance, attain child poverty rates below 10%. In contrast, Spain is positioned among the worst performers, with a child poverty rate of 20.7%. This rate places Spain considerably above the average for most other Western European economies and aligns its performance more closely with countries such as the United States, Mexico, Chile, or Turkey. In this sense, while some OECD members exhibit even higher child poverty rates, Spain's situation is concerning for a highly developed, high-income country deeply integrated into the European Union.

The enduring trend of high child poverty in Spain reflects deep-rooted structural shortcomings in the country's system of social protection for families with children. Spain primarily relies on a fragmented patchwork of targeted instruments. However,

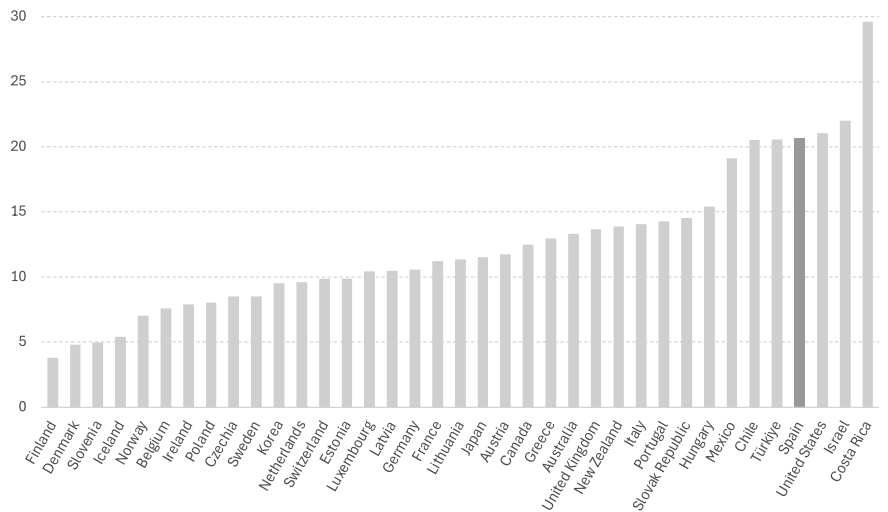


Fig. 1 Child poverty rate in OECD countries, 2022 or latest available year. (Note: The poverty threshold is set at 50% of the median disposable income in each country. Source: OECD Income Distribution Database)

these tax reliefs are typically nonrefundable, thereby excluding large segments of the population. Such tools are further plagued by limited coverage, high non-take-up rates, and administrative complexity, ultimately failing to guarantee an adequate income floor for all children.

As Hernández et al. (2025) stress, Spain’s absence of a universal instrument to tackle child poverty—namely, a Universal Child Benefit (UCB)—now makes it one of the few outliers in Europe (see also Bradshaw, 2012; Van Lancker & Van Mechelen, 2015). UCBs are flat, periodic cash transfers paid for every child, irrespective of household income, and they stand out as one of the most rigorously evaluated and effective anti-poverty tools worldwide (ODI & UNICEF, 2020). Their universal design is deliberately simple: by dispensing with means tests and complex eligibility rules, they reach virtually all families, minimize administrative costs, and eliminate the stigma that often deters take-up in targeted schemes. In doing so, UCBs create a predictable income floor that not only alleviates immediate material deprivation but also provides a stable platform on which complementary child-centered services can be built. Furthermore, although their cost and financing are more exigent than for more targeted programs, the ample social benefits that they generate in terms of cohesion, trust, and human development are usually associated with extensive public support (ODI & UNICEF, 2020).

This chapter contributes to the ongoing debate in two main areas. First, by presenting a microsimulation-based analysis of the potential impact of implementing a UCB in Spain. Leveraging data from the 2023 *Spanish Living Conditions Survey* (ECV), two policy scenarios are simulated—the introduction of monthly benefits of €100 and €200 per child, respectively—and their effect on child poverty incidence,

intensity, and distributional impact across different household types is estimated. Second, by placing the need for a UCB in the context of a broader problem such as the multidimensional origin of poverty. To that end, the potential role of an instrument like UCB is studied within the context of the debate on the effectiveness and efficiency of different classical mechanisms belonging to the welfare state, such as education policies, the health system, the labor market regulations, housing policies, or other income guarantee programs.

The chapter is structured as follows. Section “[Policy Context and Conceptual Foundations](#)” reviews the current child poverty alleviation policy landscape in Spain and situates UCBs within the broader international literature. Section “[Methodology and Simulation Strategy](#)” outlines the simulation methodology. Section “[Simulation Results](#)” presents the empirical results. Section “[Towards a Holistic Strategy Against Child Poverty](#),” for its part, widens the debate by discussing how universal benefits could be complemented by other policies in addressing child poverty in a more comprehensive and holistic manner. Section “[Conclusions](#)” concludes with reflections on policy implications and avenues for future research.

Policy Context and Conceptual Foundations

The Spanish Policy Landscape

Spain’s approach to income support for families with children is traditionally marked by fragmentation, limited generosity, and low coverage (Hernández et al., 2025). The key state-wide instruments currently in place include the *Ingreso Mínimo Vital* (IMV)—a means-tested safety net introduced in 2020—and the *Complemento de Ayuda para la Infancia* (CAPI)—a means-tested child benefit passed in 2022. On top of these, various tax deductions and regionally administered schemes offer partial relief, though their reach and effectiveness vary considerably (Hernández et al., 2025).

In addition to the fragmentation of policies, the Spanish social protection system also exhibits challenges in terms of coverage. According to the Spanish Independent Authority for Fiscal Responsibility, only 36% of eligible households receive the IMV, while the CAPI reaches just 19% of its potential beneficiaries (AIReF, 2024). These shortcomings disproportionately affect families in the most vulnerable circumstances, severely undermining the capacity of the current framework to reduce child poverty.

Therefore, despite the presence of these measures—and of other tools that aim to tackle the roots of the problem in the areas of education, health, or employment—Spain showcases exceptionally high rates of child poverty by European standards. A major weakness would lie in the existing schemes being conditional on strict income thresholds, including hard-to-comply requirements and involving complex administrative procedures, which generate high non-take-up rates and leave many families without support (Bornukova et al., 2024). Owing to the aforementioned limitations in the current framework, there are many arguments for the implementation of a universal benefit for children based on the good practices of neighboring countries with more experience in the specifics of such an instrument.

The Case for Universal Child Benefits

The correct understanding of how UCBs work is of utmost importance for a successful policy implementation. In this sense, UCBs are broadly defined as regular, predictable cash or near-cash transfers (such as tax credits) provided to families with children, designed to reach all, or nearly all, children within a specific age group without conditions related to income or employment status (ODI & UNICEF, 2020). They represent a paradigmatic shift from targeted welfare models, which often focus assistance narrowly on the poorest households, towards more inclusive and rights-based forms of social protection that acknowledge child-rearing as a shared societal responsibility. UCBs are usually provided in a monthly or pre-established periodical manner. This particular characteristic could help avoid the loss of efficiency of other one-shot policies, which have been proven not to be entirely invested in children-related expenses (Borra et al., 2024).

The arguments for adopting UCBs are multifaceted. First, coverage and adequacy can improve substantially when benefits are universal, unconditional, and automatically granted. By aiming to include every child and minimizing complex eligibility procedures, UCBs drastically reduce non-take-up (i.e., children in need not receiving support) that often plagues means-tested programs due to administrative hurdles, lack of information, or social stigma. This ensures a more reliable minimum income floor for all children, contributing directly to poverty reduction and improved child well-being.

Second, universal benefits are generally simpler and more cost-effective to administer. UCBs significantly lessen the administrative burden and associated costs of verifying income, managing applications and renewals, and monitoring compliance, which are characteristic of targeted schemes (ODI & UNICEF, 2020).

Third, UCBs uphold horizontal equity by recognizing the additional direct and indirect costs associated with raising children, which are borne by all families, irrespective of their income level. Proponents argue that the positive social externalities of investing in children and alleviating child poverty—such as improved health, education, and long-term productivity—typically outweigh the gross fiscal costs of a universal scheme (Currie & Gahvari, 2008).

Lastly, UCBs can avoid the stigma often associated with means-tested social assistance, as entitlement is not linked to poverty or unemployment. This can lead to higher take-up rates and foster greater social cohesion. Consequently, UCBs often prove politically more sustainable due to their broader base of beneficiaries and public support (Kumlin & Rothstein, 2005).

Evidence from International Experiences

A growing number of countries across different welfare traditions have implemented universal or near-universal child benefits, offering valuable insights and diverse models (ILO & UNICEF, 2019).

Several nations have long-standing commitments to fully UCBs, where payments are made for all children up to a certain age, regardless of parental income, underscoring a societal consensus on the importance of investing in all children. For instance, Austria's Familienbeihilfe is paid for all resident children typically up to age 18, extendable to 24 for those in education or training. Similar universal commitments are present in Estonia with its *Lapsetoetus* (covering children up to age 16, or 19 if in education); Finland, whose *Lapsilisälaki* covers children up to 17; and Germany, where the widely reaching *Kindergeld* (typically up to age 18, with extensions) is a significant transfer integrated into the tax system as a key component of family support.

Other countries employ models that are effectively universal in reach but incorporate mechanisms like income-testing to enhance progressivity, ensuring that more support is directed towards low- and middle-income families while still covering the vast majority of children. Canada's Child Benefit, introduced in 2016, exemplifies this approach as a monthly tax-free payment for children up to 18. Denmark's Child Allowance also illustrates this model by including a benefit taper that reduces the amount for recipients with high annual incomes, thus maintaining the principle of universal entitlement while tailoring the net Benefit. In the United Kingdom, the Child Benefit is paid for all resident children up to age 16 (with some extensions). Although the benefit amount itself does not vary with income, a tax charge (the High-Income Child Benefit Charge) applies to households where at least one individual earns over a certain threshold, effectively clawing back the benefit from higher earners (ODI & UNICEF, 2020).

Italy, for its part, attained an innovative approach by the passing of the Assegno Unico e Universale per I Figli (AUUF) in 2022. The characteristics of this policy tool could act as a good practice example for the implementation of a UCB in Spain. Beyond the age extension to 21 years and amounts ranging from €201 monthly for low-income households to €57.5 monthly for households in higher deciles, this benefit introduces some incentives for households to be registered within the tax system (Istituto Nazionale della Previdenza Sociale, 2025). These incentives arise from the allocation of amounts to be received through a household vulnerability indicator. If a household decides not to declare its income (even when such income is nonexistent), the benefit granted corresponds to that of higher-income households, namely, €50. This way, low-income households are encouraged to integrate into tax registers in order to obtain higher benefit amounts, in line with their actual income levels. This enables public services to better identify the vulnerability of each household, as well as to allocate supplements based on parents being at work. In sum, the alignment of incentives takes a crucial role in the effectiveness of UCB policy designs.

Potential Concerns and Trade-Offs

Despite their many advantages, UCBs are not without debate. The most frequently cited concern is their gross fiscal cost. Providing cash support to all families with

children, regardless of income, naturally requires higher upfront government expenditure compared to schemes narrowly targeted at the poorest. With different models, benefit amounts, and age coverage, OECD countries' expenditure in this area ranges from 0.2% to 2.5% of Gross Domestic Product (GDP) (ODI & UNICEF, 2020). Therefore, proponents argue that the net cost can be financially managed, being the cost of opportunity of not intervening potentially higher. Additionally, the political economy of such a proposal can be advanced by promoting an instrument that marries universality with some progressivity through the tax system—for example, by taxing back the benefit from higher-income households or by adjusting other tax deductions and exemptions. Overall, the implementation of a UCB must take the long-term economic benefits from improved child development into account.

A second concern relates to potential work disincentives, particularly for parents in low-income households or regions with weak labor markets. While the available evidence on universal transfers suggests that such schemes have limited to no impact on aggregate labor force participation (Marinescu, 2017; Jones & Marinescu, 2018; Bastagli, 2020), some sex-disaggregated studies reveal heterogeneous effects. For instance, evaluations in Germany found that UCBs led to a shift from full-time to part-time work among partnered women in lower-income households, with little effect on single mothers and fathers (Tamm, 2010; Rainer et al., 2014). Similarly, in Canada, the UCB led to reduced participation and hours worked among married women, especially those less educated (Schirle, 2015). Nevertheless, these results might be understood not as inevitable consequences but as additional challenges to be addressed by complementary policies in the areas of care, conciliation, or work rights. For instance, the Italian UCB previously presented provides specific monetary incentives for parents to work or maintain work in order to offset potential disincentives.

Lastly, from a targeting efficiency perspective, critics sometimes argue that universal programs are less efficient because resources are distributed to families who may not be in immediate financial need, suggesting that scarce resources might be better allocated through targeting (ODI & UNICEF, 2020). This reflects an enduring tension in social policy design between the goals of maximizing poverty reduction with limited resources (targeting efficiency) and ensuring broad coverage, social inclusion, and avoiding stigma (effectiveness and equity). However, it must be noted that, in the end, this debate comes to policy preferences and prioritization of social goals.

Relevance to the Spanish Debate

Poor results in terms of child poverty alleviation leave room for more ambitious policy proposals in Spain that move away from the current status quo. In this sense, the absence of a UCB in this country leaves many families—especially those just above the income thresholds for eligibility, those with high income insecurity and variability, or those excluded from the usual administrative channels—without

adequate support (Hernández et al., 2025). On top of that, the present-day system's complexity, coupled with high non-take-up rates, further limits their effectiveness.

Furthermore, introducing a universal benefit would align Spain with European best practices and provide a foundational layer of income security for all families with children. Beyond its immediate redistributive effect, such a reform could serve as a platform for modernizing and integrating Spain's broader family policy framework, focusing spending on the most cost-effective areas. Additionally, the protection of children's welfare is widely popular among the Spanish population. According to a recent study of the *Centro de Investigaciones Sociológicas* (CIS, 2024), almost half of the population thinks that the rights of infancy are not enough protected in Spain.

The next sections of this chapter turn to a quantitative simulation analysis of the potential impact of such a reform, using microsimulation techniques to quantify its effect on a range of child poverty measures, as well as the estimated fiscal implications.

Methodology and Simulation Strategy

This chapter employs a static microsimulation model to estimate the potential impact of introducing a UCB on poverty levels in Spain. The analysis draws on data from the 2023 wave of the *Statistics on Income and Living Conditions* (ECV, for its Spanish acronym), Spain's official household survey for tracking income, poverty, and social exclusion. With its rich detail on household composition, income sources, and socio-demographic characteristics, the ECV is well-suited for evaluating the impact of direct cash transfers on poverty outcomes.

Defining Poverty and the Unit of Analysis

This analysis measures poverty based on household income, adopting a relative approach that defines deprivation in relation to the typical standard of living in a given society. This means that instead of using a fixed monetary amount (an absolute threshold), the poverty thresholds—also known as poverty lines—are calculated as a percentage of the national income distribution. To provide a comprehensive picture of both standard and more severe poverty, this study applies two distinct relative thresholds, which are detailed below.

The first threshold follows the European Union's at-risk-of-poverty line, set at 60% of the national median equivalized disposable income. To capture the severity of poverty among the most disadvantaged, a lower threshold of 40% of the national median equivalized income is also used, the so-called extreme poverty line.

To enable meaningful comparisons between households of different sizes and compositions, analysts commonly use equivalence scales—tools that adjust for household size and the age of members (OECD, 2013). One of the most widely applied is the OECD-modified equivalence scale, which is also the standard used by

Eurostat for poverty measurement purposes (Hagenaars et al., 1994). The present analysis is built upon the OECD-modified equivalence scale, which assigns a weight of 1 to the first household member, 0.5 to each additional adult or child aged 14 or older, and 0.3 to each child under 14. The use of this tool allows the adaptation of the income levels of households to their composition, hence leading to more appropriate comparisons and more accurate poverty estimations.

The analysis is based on two poverty indicators. The first one is poverty incidence, also known as headcount ratio. This indicator directly captures the proportion of poor individuals in a society, being at the same time the simplest and one of the most widely used measures of poverty (Villar, 2017). The headcount ratio, P_H , is given by:

$$P_H(y, z) = \frac{p}{n}$$

where p is the total number of poor individuals (i.e., individuals whose income y_i is lower than the poverty threshold z) and n is the total population.

While intuitive and widely used, the headcount ratio has notable limitations. Its primary shortcoming stems from its binary nature: an individual is either classified as poor or not poor, with no distinction made regarding the *extent* of their poverty. Consequently, all individuals below the poverty line are treated equally in this measure, regardless of whether their income is just below the threshold or substantially far from it. As Villar (2017) effectively illustrates, this insensitivity to the depth of deprivation means the headcount ratio can yield identical poverty figures for societies where the actual economic hardship experienced by the poor is vastly different—for instance, failing to distinguish between a population whose poor are clustered just beneath the poverty line and another where the poor are significantly further away from it.

To address this limitation and gain a more nuanced understanding of the economic shortfall faced by the poor, it is common to turn to the poverty gap index, P_{PG} , which Villar (2017) defines as:

$$P_{PG}(y, z) = \sum_{i=1}^p (z - y_i)$$

This index quantifies the distance separating the income of those individuals below the poverty line from the poverty line itself ($z - y_i$). In practice, it is clearer to express the gap per person and in percentage terms. By dividing each shortfall by the poverty line, z , and then averaging over the total number of poor individuals, p , the previous index becomes

$$P_I(y, z) = \frac{1}{p} \sum_{i=1}^p \left(\frac{z - y_i}{z} \right)$$

which reads as the average distance of poor individuals to the poverty line—henceforth termed poverty intensity. Because the index is unit-free and normalized to the size of the poor population, it can be interpreted directly and compared consistently across populations, time periods, or alternative poverty thresholds.

These indicators can be computed for the general population, for children (i.e., individuals under 18), and for several household types, thus leading to estimations of the inroads that poverty has made among certain sociodemographic groups.

Assessing the Impact of UCBs: A Microsimulation Approach

Building on top of the previously explained poverty measurement tools, this chapter employs a microsimulation methodology to estimate the potential impact of introducing a UCB on poverty in Spain. This approach allows for a comparative static analysis, where the poverty levels observed in the current situation (baseline) are contrasted with those that would hypothetically prevail under different UCB policy designs.

The baseline scenario reflects the existing poverty landscape, with poverty indicators—specifically the poverty incidence and the poverty intensity as defined in the preceding section. These baseline figures, using both the at-risk-of-poverty and the extreme poverty thresholds, represent the benchmark against which the effects of the policy reforms are assessed.

Against this baseline, the impact of introducing a UCB is evaluated by simulating changes to household disposable income. This involves adding the gross amount of the simulated child benefit to the income of eligible households and then recalculating the poverty indicators for the entire population and specific subgroups.

The simulation entails two alternative UCB scenarios, both involving the introduction of a universal monthly cash benefit per minor (which in Spain is under 18):

- **Scenario 1:** €100 per child per month
- **Scenario 2:** €200 per child per month

These amounts are illustrative and selected to represent, respectively, a moderate and a generous level of support, while remaining within the range observed in other EU welfare states. The simulated benefit is defined by the following characteristics:

- **Universal:** Granted to all households with children, regardless of income or employment status.
- **Individualized:** Calculated per child, rather than per household. Therefore, households with more children are not penalized.
- **Non-taxable and non-contributory:** Fully exempt from taxation and independent of social insurance contributions of adults in the households.
- **Granted on a monthly basis:** In order to avoid the behavioral effects and loss of efficiency that one-shot policies usually generate due to their loss of focus in

children's needs, the UCB is entitled monthly (Borra et al. 2024). The simulated amounts would be equivalent to €12,000 or €24,000 benefits per year.

The simulation assumes full take-up (i.e., all eligible households receive the UCB) and no behavioral changes (e.g., no changes in labor supply). This allows for the estimation of the first-order static effects of the policy proposal on household income composition and poverty indicators.

Following the simulation of these UCB scenarios, the impact on poverty is quantified by comparing the recalculated poverty indicators (headcount ratio and poverty gap) under each scenario against the baseline levels. It must be noted that, as the income distribution for the whole population would change with the UCB, the new indicators are obtained from new thresholds, which must be recalculated too. This second-round effect will alter all types of households' poverty levels, including those without children. The reduction in the indicators for households with children will illustrate the potential effectiveness of each UCB amount in alleviating both the incidence and the depth of poverty.

This analysis will be conducted for the general population, with a particular focus on children (individuals under 18), and will also explore differential impacts across various household types, thereby providing a comprehensive picture of the distributional consequences of the proposed UCBs.

Fiscal Cost Estimation

Beyond assessing the impact on poverty, this analysis also provides an estimate of the direct fiscal implications of implementing the proposed UCB scenarios. The gross fiscal cost for each scenario is calculated by first aggregating the total simulated monthly benefit disbursements to all eligible children (those under 18) identified within the ECV sample. This sample-level cost is then extrapolated to estimate the national annual expenditure using the population weights provided with the survey data.

The resulting national-level gross cost estimate for each UCB scenario offers a crucial point of reference. For an illustrative point of view, it can be contextualized by comparing it with current levels of public spending on key family-related cash benefits in Spain, such as the estimated portions of the IMV and the CAPI. However, it is also important to acknowledge the scope of these estimates, as they merely represent the direct, static costs of the UCB schemes. As such, they do not incorporate potential secondary effects, such as administrative costs associated with implementing a new benefit, nor do they account for any dynamic behavioral responses (e.g., changes in parental labor supply, fertility decisions, or consumption patterns) that might arise from the policy's introduction. Nevertheless, these first-order cost estimations provide a useful and necessary benchmark for evaluating the scale of investment required and for preliminary discussions on the feasibility and affordability of a UCB policy within the Spanish fiscal context.

Simulation Results

This section presents the main findings of the microsimulation analysis. The analysis comprises both policy scenarios described previously and examines changes in poverty incidence, intensity, and estimated fiscal costs. Results are disaggregated by household type and two different poverty thresholds. Additionally, in order to observe the distributional effect of the policy, poverty indicators for the whole population and for households with children are obtained.

Effects on Poverty Incidence

The simulation results show that the introduction of a UCB would lead to a substantial reduction in poverty, particularly for children. As illustrated in Fig. 2, under the €100/month scenario, the at-risk-of-poverty rate for children falls from a baseline of 28.9% to 24.4%. This represents a significant drop of 4.5 percentage points, or a relative reduction of over 15%. The impact is even more pronounced under the more generous €200/month scenario, where the child poverty rate further declines to 21.0%, an absolute reduction of 7.9 percentage points from the baseline, or a relative decrease of nearly 28%. Even more marked, reductions are observed for extreme poverty. In this case, a 2.8 percentage points drop in poverty incidence is calculated for the €100 benefit, or a 20% relative reduction, as well as a 5.9

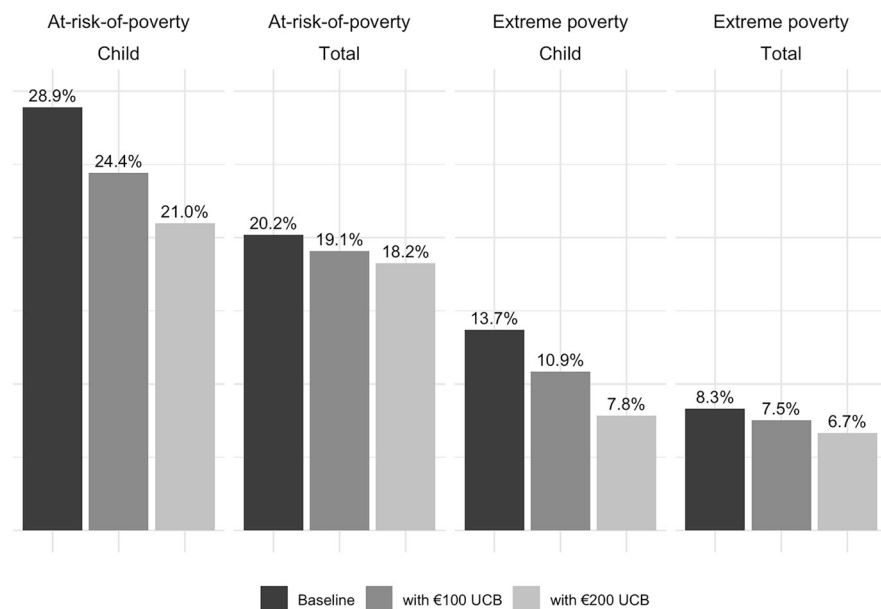


Fig. 2 Total and child poverty rate in Spain (2022), actual and simulated scenarios. (Source: Own calculations using ECV 2023)

percentage points absolute reduction for the more generous policy, a 43% relative drop.

While the policy's effects are most concentrated among children, the benefits extend to the total population, leading to a modest but clear reduction in overall poverty rates. The at-risk-of-poverty rate for the population declines from a baseline of 20.2% to 19.1% under the €100 scenario and further to 18.2% with the €200 benefit. A similar positive effect is observed for the total extreme poverty rate, which is reduced from 8.3% to 6.7% in the more generous scenario. These findings underscore that a UCB, while demographically focused, generates positive spillovers that contribute to reducing poverty across society.

By type of household, while poverty reduction gains are most pronounced among those with children, the analysis reveals a nuanced impact across the population. As shown in Table 1, the policy is highly effective for the most vulnerable families. Single-parent households and large families (those with three or more children) experience the largest reductions in poverty under both scenarios. For instance, the at-risk-of-poverty rate for two-adult households with three or more children falls by 12.4 percentage points under the €200 benefit scheme.

At the same time, the simulation reveals modest second-order distributional effects. Because the UCB increases the disposable income of all families with children, the national median income—and consequently the relative poverty thresholds—rises slightly in the post-reform scenarios. This shift results in a

Table 1 Poverty incidence before and after the universal child benefit (60% and 40% threshold), by type of household

Household type	At-risk-of-poverty			Extreme poverty		
	Baseline	€100 UCB	€200 UCB	Baseline	€100 UCB	€200 UCB
1 adult	22.1	22.4	23.3	13.2	13.4	14.0
2 adults	12.5	13.0	13.4	5.5	5.8	6.0
3 adults	16.2	17.8	18.0	5.8	6.1	6.4
4+ adults	13.3	13.6	14.4	3.4	3.8	3.8
Single parent	41.5	35.9	31.1	21.6	15.9	12.3
2 adults + 1 child	16.6	15.0	14.0	6.2	5.3	4.1
2 adults + 2 children	19.9	16.7	13.3	8.2	5.9	4.4
2 adults + 3+ children	45.5	39.1	33.1	26.3	20.3	13.8
1 adult + elderly	13.0	13.5	14.0	4.6	4.8	5.2
2 adults + elderly	10.6	11.3	11.5	2.5	2.8	3.1
3+ adults + elderly	13.4	14.6	15.2	3.3	3.5	3.5
All elderly	22.6	23.6	24.5	7.6	7.7	7.9

Note: The household types shown are illustrative examples selected for their policy relevance. Households with elderly members (age > 65) are presented separately to reflect their distinct economic characteristics (e.g., reliance on pension income). Categories with insufficient sample sizes, such as those with both children and elderly members, are not detailed

Source: Own calculations using ECV 2023

marginal increase in measured poverty for some childless households whose incomes fall just below the new, slightly higher poverty line, an effect visible for households with one, two, or more adults in Table 1. It is important to recognize that such minor distributional distortions are a common feature of large-scale social transfer policies and must be considered in their overall evaluation.

Effects on Poverty Intensity

Beyond reducing the number of individuals classified as poor, a UCB would also significantly lessen the intensity of poverty for those who remain below the thresholds. This means the policy could act as an effective tool not only to lift households out of poverty but also to ease the material deprivation of those who do not surpass the poverty line.

As presented in Table 2, the measures of poverty intensity show marked improvement. For the population as a whole, the average poverty gap (at 60% at-risk-of-poverty threshold) decreases from 33.0% to 31.8% under the €100 scenario, and to 30.3% under the €200 scenario, corresponding to relative reductions of 3.6% and 8.1%, respectively. The reductions are even more promising among children, for

Table 2 Poverty intensity before and after the universal child benefit (60% and 40% threshold), total, children, and by type of household

Group	At-risk-of-poverty			Extreme poverty		
	Baseline	€100 UCB	€200 UCB	Baseline	€100 UCB	€200 UCB
Total population	33.0	31.8	30.3	38.7	37.0	35.9
Children	35.7	32.5	28.5	37.4	31.0	26.2
1 adult	45.6	47.3	46.5	48.5	51.8	50.3
2 adults	34.7	34.7	34.7	40.4	39.5	39.8
3 adults	29.9	28.8	29.8	35.0	35.4	34.5
4+ adults	23.7	25.2	25.2	27.2	29.9	31.1
Single parent	37.4	33.6	29.7	36.3	32.9	27.0
2 adults + 1 child	29.6	28.0	25.6	33.3	30.6	31.6
2 adults + 2 children	32.5	29.7	27.5	35.9	35.5	31.4
2 adults + 3+ children	42.8	36.2	29.3	40.8	31.2	22.7
1 adult + elderly	27.8	28.2	28.5	31.5	32.7	31.6
2 adults + elderly	25.4	25.1	26.0	34.0	32.2	30.9
3+ adults + elderly	23.0	23.0	22.5	23.5	23.6	24.9
All elderly	30.7	31.2	31.3	49.2	52.5	51.8

Note: The household types shown are illustrative examples selected for their policy relevance. Households with elderly members (age > 65) are presented separately to reflect their distinct economic characteristics (e.g., reliance on pension income). Categories with insufficient sample sizes, such as those with both children and elderly members, are not detailed

Source: Own calculations using ECV 2023

whom the poverty intensity falls by 9% and 20% in each respective scenario. A similar pattern is observed for extreme poverty (at the 40% threshold), where the average income gap among extremely poor children is reduced by 11.2 percentage points under the €200 simulation, equivalent to a 30% reduction in their income shortfall.

While these aggregate improvements are substantial, a closer examination of household types again reveals that the impact is most concentrated among the most vulnerable. As shown in Table 2, the most significant reductions in poverty intensity—for both poverty thresholds—are observed among single-parent households and large families. For instance, under the €200 scenario, the intensity of extreme poverty among single-parent households falls by 9.3 percentage points (from 36.3% to 27.0%), while for two-adult families with three or more children, it drops by 18.1 percentage points (from 40.8% to 22.7%).

Overall, these results underscore the capacity of a UCB not only to lift households above an income threshold but also to bring meaningful material improvement to those who remain in poverty. The broad-based nature of these improvements suggests that, beyond their direct anti-poverty effects, UCBs could garner wide public support by delivering tangible benefits across diverse sociodemographic groups and generating positive society-wide spillovers.

Estimated Fiscal Cost

In order to account for the potential budgetary impact of a UCB in Spain, the present analysis further delves into this question. The simulated scenario concludes that the implementation of such a policy would entail a significant but fiscally manageable effort. Based on weighted data from the ECV, the estimated annual cost of the €100/month scenario is approximately 6.3 billion euros, while the €200/month scenario would require 12.7 billion euros.

These figures represent around 0.5% and 1% of Spain's GDP, respectively. From an international perspective, these numbers fall within the range of public expenditure on family and child benefits in other European welfare states. For instance, countries such as Germany, France, and the Nordic nations typically allocate between 1.0% and 1.5% of GDP to child-related cash transfers and services.

To put these figures in context, Spain's total spending on the *Ingreso Mínimo Vital* and *Complemento de Ayuda para la Infancia* currently stands at around 3.2 billion euros, or 0.25% of GDP. However, that figure notably understates the potential expenditure on those policies, as it does not take the high non-take-up rates into account. Therefore, a reduced budget is a result of poor allocation and limited effectiveness in their core purpose of alleviating poverty in Spain. Thus, although introducing a UCB would represent a substantial scaling-up of support for families, it could be accompanied by savings from other measures, as well as a better return per euro invested in terms of poverty reduction.

Ultimately, it is important to note that these estimates refer to the gross fiscal cost of the policy and do not account for potential offsetting effects such as increased tax

revenues (via consumption or employment), reduced spending on other social programs, or long-term benefits from improved child well-being and educational outcomes. Nor do they include the potential administrative efficiency gains stemming from the simplicity, universality, and automaticity of the benefit design.

Towards a Holistic Strategy Against Child Poverty

Child poverty is one of the most alarming forms of social inequality, with consequences that go beyond the violation of children's rights—it also hampers economic development, social cohesion, and democratic health. As exemplified by the Spanish case, it remains a persistent issue despite progress in some areas, and many children and adolescents still face living conditions that harm their present well-being and limit their future opportunities.

An effective and long-lasting system of child poverty prevention and alleviation would be built upon the good practices of neighboring countries, as well as a solid legal framework, especially through the United Nations Convention on the Rights of the Child (ratified by Spain in 1990), which guarantees and promotes key rights such as non-discrimination, protection from poverty, and access to education, healthcare, and a safe environment.

Although monetary benefits are crucial for the most urgent material necessities, a poverty alleviation framework built to guarantee the rights of children and families would need to address shortfalls in other areas. In this direction, while a UCB can substantially enhance income security among vulnerable families, it is important to recognize that child poverty is a multidimensional phenomenon (UNICEF, 2021). Monetary deprivation is only one aspect of a broader reality shaped by structural barriers in areas such as education, employment, housing, nutrition, health, and access to care. Effectively addressing child poverty consequently requires a comprehensive and integrated strategy that spans the entire life course—encompassing early childhood, school age, and the working lives of parents. Therefore, income guarantee schemes are necessary but not sufficient for breaking the intergenerational link of poverty.

For instance, pre-distributive policies are needed in order to prevent the conditions that perpetuate poverty among children from the onset (Heckman 2006; Currie, 2009; UNICEF, 2021). These tools have long been deemed one of the first pillars of Welfare States. Mainly, they would entail rights to education of quality to health services, both areas with long-lasting effects on the future welfare of children who suffer poverty throughout their childhood. In this field, many studies support the fact that there is a robust correlation between parents' and children's educational attainment and health levels (Black et al., 2005; Aizer & Currie, 2014). Examples of these would be the access to pre-school education, the allocation of additional resources to schools with students from vulnerable backgrounds, actions against school dropouts, leisure and sport activities out of school time, a wider range of health services, and access to balanced nutrition. Additionally, policies that address parents' training and education would fall into this category. Overall, these policies aim at guaranteeing

equality of opportunities, independent of income, by raising the standard upon which children will grow to become adults.

In a second step, policies in the productive phase mainly focus on parents' relation to employment and work-life balance. Although these policies are not directly related to children, they are indeed of utmost importance for their well-being (Carneiro et al., 2015; Perry-Jenkins et al., 2020). By promoting job quality, work rights, adequate wages to provide for—at least—basic family needs, as well as fighting against discrimination, they are fundamental to avoid insecurity, family troubles, and material deprivation. In addition, increasing care possibilities so as to allow parents to take full-time jobs and balance work with family life are important to improve both households' stability and women's opportunities. In this regard, even with income support schemes being designed as a last resort safety net, abundant and appropriate employment opportunities are a first barrier against poverty to be taken into account.

Thirdly, redistributive policies have usually been used as the principal policy tool in the fight against poverty (Bozio et al., 2024). They are meant to alleviate the consequences of poverty or material deprivation once they have materialized and encompass all monetary or in-kind benefits policies, ranging from the income support schemes to the child benefits hereby analyzed. These programs are implemented through the tax system or direct payment schemes, sometimes with a general purpose—as in minimum income schemes or child tax deductions—sometimes aimed at particular targets—such as affordable housing, basic supplies provision, or schooling- and nutrition-related expenditure. Haaparanta et al. (2022) stress the relevance of these by studying how their effects intertwine with those of pre-distributive tools, thus increasing the combined impact of equality of opportunity-enhancing policies.

In sum, this agenda must combine robust income support programs with universal access to public services, targeted interventions in areas difficult to reach, and strong institutional coordination.

Within this broader ecosystem of interventions, a UCB plays a foundational role. It establishes a guaranteed income floor for all children, simplifies access to public support, and reduces the stigma and exclusion associated with means-tested schemes. By securing a basic level of material stability, it also makes it more feasible for families to engage with other policies and services—such as enrolling in early education, participating in extracurricular activities, or affording nutritious diets. Moreover, this type of policy has the potential to strengthen the architecture of the tax-benefit system itself. By linking the benefit to the personal income tax system while maintaining its universal character, the state can encourage these households' full participation in income declarations. This is particularly relevant in Spain, where many low-income families do not file tax returns and are thus excluded from targeted programs due to administrative invisibility.

Introducing a UCB would ensure that all households with children are identified within the tax system, creating a platform from which to proactively reach those eligible for other forms of assistance, such as the *CAPi*, *IMV*, regional housing subsidies, or specific vouchers. Ensuring compatibility and flexible complementarity

between universal and targeted instruments—as is the case in some countries such as Canada, the Nordic countries, or France or Germany—is essential for building a layered, equitable, and efficient model of social protection. In this sense, the UCB could act as a baseline pillar upon which other, more targeted progressive instruments are constructed.

In short, while income support alone cannot eliminate child poverty, it is a necessary precondition for the success of more complex and long-term measures. A UCB offers not only direct relief but also institutional coherence, paving the way for a more inclusive, responsive, and child-centered welfare state.

Conclusions

This chapter has examined the potential of introducing a UCB in Spain as a tool for reducing child poverty. Drawing on microsimulation analysis using 2023 household income data, the findings show that a universal monthly benefit—whether set at €100 or €200 per child—would lead to quantifiable reductions in both the incidence and intensity of poverty, particularly among the most vulnerable household types, such as single-parent households and large families.

The results of the simulation indicate a clear scale of impact. A €200/month UCB would reduce Spain's at-risk-of-poverty rate for children by more than a quarter (a relative reduction of nearly 28%), narrow income gaps for those who remain below the poverty line, and deliver the greatest gains to those currently most at risk. Furthermore, these impacts could be achieved through a simple, automatic, and inclusive mechanism that addresses the coverage gaps and administrative complexity limiting the effectiveness of Spain's current mix of targeted benefits.

The estimated gross fiscal cost—ranging from approximately 0.5% to 1% of GDP, depending on the scenario—represents a considerable investment but remains within the spending levels on family policies observed in other high-income countries. Moreover, this direct cost does not account for potential secondary benefits, such as efficiency gains from simplifying the welfare system, encouraging income declaration among low-income households, or facilitating better coordination with other targeted support programs.

However, while the income effects of a UCB are considerable, they are not sufficient on their own to eradicate child poverty or to address its structural causes. A holistic strategy is needed—one that combines income support with investments in early education, health, housing, and employment, and that ensures coordinated action across all levels of government. Within such a strategy, the UCB serves as a foundational policy, enabling other interventions to reach further and function more effectively.

The Spanish case offers lessons that resonate within the broader global context. Spain's experience—that of a developed economy still grappling with high rates of child poverty due to gaps in its social protection architecture—is not unique. Around the world, many high- and middle-income countries face similar paradoxes. The shortcomings of complex, targeted welfare systems are a global challenge, often

leaving the most vulnerable behind. In this light, the UCB emerges as a policy instrument with global relevance, offering a straightforward and direct model for investing in children. As the international community strives to build more equitable and resilient societies, the principle of ensuring a basic income floor for every child represents a feasible and direct approach to advancing a more equitable future.

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