

Moving Away From Conditioned Subsidy Towards Universal Basic Income

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Abstract

This paper presents a characterization of the institution for conditioned economic subsidy and which is given to the population by means of a selective system, that is used in Colombia and in most of the countries of Latin America like a very important instrument of the social policy of subsidies based on the demand side.

The document is structured in three parts; the first contains the theoretical elements in those that the discussion is based. The second part presents the social policy institutions of the subsidy based on the demand side, and the last part shows the reflections about the necessary steps in the road toward the implementation of the universal basic income in Colombia.

Finally the study shows that the institution of the economic subsidy is the foundation of a basic structure of rights on certain basic goods, and creates the conditions for the implementation of the proposal of a universal and unconditional basic income² for all the Colombians.

Keywords: Basic income, subsidies, institutions of social policy.

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² Van Parijs, Philippe from the Catholic University of Louvain proposed this idea since 1986.

INTRODUCTION

To establish as objective of the social policy the universal and unconditional basic income³ UBI in a country like Colombia, a country that has reached an index of poverty of 60%⁴, it demands first the study of the existent institutions related with the economic subsidies, because they are the base on which should be made the analysis and the discussion about this policy's viability.

To analyse the institutions, is necessary to begin announcement the following hypothesis: the social policy should possess the universal character and it should be planned initially for all those legitimate members of a society that are in a disadvantage situation in order to make its fundamental rights worthy⁵, and to be able to have by this way, a basic structure of opportunities that will allow to reach the real freedom for all⁶.

The social policy's institution consequently should be guided to the solution of the problem of lack of opportunities, or to force⁷ people in disadvantage situation, as they might take advantage of the existent ones that are considered as fundamental, to be able to implement the proposal of a universal basic income.

The social policy's coercive character is to combat the impossibility that an individual has the greatest amount of possible opportunities to do whatever he or she

³ Van Parijs [1995] define a basic income as an income paid by the government to each full member of society (1) even if she is not willing to work, (2) irrespective of her being rich or poor, (3) whoever she lives with, and (4) no matter which part of the country she lives in.

⁴ According to the poverty line based in income methodology. The detailed methodology can be found in, "La pobreza en trece ciudades Colombianas - medida a través de líneas de pobreza y de indigencia," DANE, Boletín de Estadística, No. 429, December 1988.

⁵ The fundamental rights are described in Colombian political constitution of 1991 and those are referred as socials, economics and cultural rights.

⁶ Van Parijs, Philippe. *Real Freedom for All*. Clarendon Press – Oxford, 1995.

⁷ To include the force word means that the social policy must to have coercive character.

wants to do. Each person would should can to be educated, to feed, and to be protected; looking to be able to do whatever she might want to do in terms of Van Parijs [1995, pg. 25].

As is stated by Van Parijs, a UBI neither replaces not is the starting point of a Welfare State; it is its culmination. Hence, one needs to propend for reaching first, some minimum or basic conditions of welfare in order to be able to make viable the implementation of the UBI.

The following chapter is explaining the concepts of efficiency, equity, and real freedom; afterwards the characterization of the institutions of the existent conditioned economic subsidies in Colombia will be presented.

Finally, the implementation and institutionalisation of non conditioned subsidies is formulated as a second step to create the conditions of economic feasibility to carry out a social policy, that includes the proposal of the UBI for Colombia, in the search to make the population really free.

EFFICIENCY, EQUITY AND REAL FREEDOM

In Colombia the social policy has usually used the institution of the economic subsidy, however after the year 1991 and with the new political constitution it moving away from subsidy based on the supply side⁸ towards the subsidy based on the demand side⁹.

Theoretically, a subsidy based on the demand side is supported on the principles of efficiency and equity of the social expense, while the proposal of the UBI relies in the philosophical principle of the "real freedom."

To move forward to a conception of real freedom starting from principles of efficiency and fairness is not so simple.

First at all the efficiency concept will be analysed, then the equity principle and lastly the real freedom theory that bears to the implementation of the UBI.

The social policy is efficient if is possible to distribute the social public budget in form of subsidies, through a good allocation that will allow to their beneficiaries the opportunity to access certain basic goods¹⁰.

⁸ The subsidy based on the supply side was given to the institutions, independent of the account of people attended. This kind of subsidy was hardly criticized because it was given despite the efficiency, quality, sufficiency and opportunity principles.

⁹ The public money following the people characteristics and not the institutions under competitive framework for benefit of services.

¹⁰ Basic goods with great social value or merit goods: Education, health care, social protection, nutrition, housing, basic services and nice conditions to work. All these things are a set to reach the capabilities and abilities that are necessities to a social, economic and political participation of the people.

In order to be efficient it is required a suitable information system that contribute to select individuals who will be the beneficiaries of the subsidies. The reason to be selective is because, given their very particular and temporary conditions, they cannot to access certain basic goods.

We want to highlight the temporal character, since the policy's objective is in fact to provide the means or goods that will allow to its beneficiaries to improve a disadvantage situation.

To be in a disadvantage situation is when in an involuntary way, an individual does not have the minimum opportunities to access certain goods that will provide better conditions to be able to do whatever she might want to do.

With the former efficiency principle what is seeking is to reach a bigger equity, given that those individuals do not have the opportunity to access certain basic goods for their own means; through an efficient system of allocation of scarce resources, they will be able to have the opportunity to obtain those goods in the required minimum quantities, like the rest of the population that is not in a disadvantage situation.

This conjugation of efficiency and equity place us in the Van Parijs' context of "leximin" since through the optimal allocation of resources what is at stake is to provide the minimum goods to the more unfortunate people or in disadvantage situation as we have denominated them.

When a society guarantees all its members the opportunity to access in quantity and quality to certain basic goods, the individuals will look for the maximization of the existent opportunities from which they have been their beneficiaries and, in a collective way and through democratic systems supported with values of identity, solidarity, justice and equity they will structure the bases of a really free society.

This really free society will satisfy the three conditions outlined by Van Parijs [1995]:

1. There is some well enforced structure of rights (security).
2. This structure is such that each person owns herself (self-ownership).
3. This structure is such that each person has the greatest possible opportunity to do whatever she might want to do (leximin opportunity).

SOCIAL POLICY'S INSTITUTIONS OF SUBSIDIES TO THE DEMAND

Once discussed the concepts of efficiency, equity and real freedom we are presenting here, the social policy's institutions of subsidies based on the demand side that exist in Colombia.

The institutions are the agreements that the human beings establish as a product of the human interaction. These agreements are structured in the formal rules as the political constitutions, laws, ordinances and informal rules as behavior codes, habits and

social norms. The rules define together in association with the natural restrictions of the economy, the opportunities of the different actors.

A social institution is a system of behavior rules with the purpose of satisfying social needs. It is also a built social structure around certain social values and it takes a dynamic character that follow the transformations of the necessities in a society.

The social institutions contain a group of norms, relationships, processes and instruments that are part of the interests of a society.

In Colombia the subsidy based on the demand side has been incorporated within the society through several institutions that are ordered in this paper in five categories¹¹ that provide to the citizen benefits through subsidies in money or in kind, either one or the other.

It is important to say in this part of the paper that once implemented the subsidies based on the demand side, those are granted to their beneficiaries by means of a selective system. For such a purpose a system of beneficiaries' selection was created as an instrument for the policy, known in Colombia as SISBEN¹².

The first category of institutions that should be highlighted is the system of security and social protection. This system is the group of rules oriented to diminish the

¹¹ Here are mentioned only the public institutions. The private institutions will be the subject of another paper.

¹² "Consejo de Política Económica y Social CONPES". Article 5th Document No. 22, 1994 and normative No. 65 of March 25, 1995: The social budget's beneficiaries are identifying through both the stratification and the register of socio-economic classification.

vulnerability and to improve the quality of life of Colombian people, especially the unprotected population¹³.

The system of social security is governed by the universality principles, integrity and solidarity which can be completed as far as the better-off may subsidize in a gradual way and according with its revenues the worst-off¹⁴.

For the mentioned above was created the contributonal and subsidize regimes. The contributonal regime is for those who have the capacity to carry out contributions to the social security through its work or because they generate revenues in an independent way without a contractual relationship with any organization.

In the contributonal regime, the taxpayers dedicates 12% of their base wage to guarantee the protection in health, which is known as the mandatory plan of health that is offer through the companies promoters of health CPH¹⁵.

The purpose of the subsidized regime is to assure to the poorer and more vulnerable population the access to the system of social security, by means of the partial or totally delivery of financed subsidies by the private system and the national government.

In this regime the population which is subsidized is the one without payment capacity given special priority to the indigent, abandoned and indigenous infantile

¹³ Article 1st of law 789, 2002.

¹⁴ This is known as Rawls' difference principle.

¹⁵ In Colombia they are known as EPS.

population, that is affiliated to the system through what is known as Unit of Payment for Capitation UPC.

Also, under this institution have preference the pregnant women and the children whose ages are smaller than one-year, the disabled people, the old people, women head of family, demobilized and displaced population.

Linked to this institution or regime of social security there is the general system of professional risks whose purpose is to give covering and to assure the workers that by occupational reasons, suffer professional illness or accidents, that deprives them the possibility of generating revenues, partial or definitively, either one or the other.

The second category of institutions of social policy of subsidies based on the demand side in Colombia is the general system of pensions whose objective is to guarantee the population the required help against contingencies derived from aging, disability and death, including the same kind of population's sector that is not covered with the general system of pensions by virtue of the universality principle.

To obtain the benefit of this system, the employees are compelled to constitute a progressive saving during the labor life, with the purpose of guarantee the person to have some saving that allows her a vital minimum income according with her quality of life when one of the mentioned contingencies arrives. To reach this objective an

effective 13,5% (10% in charge of the employer and 3,5% in charge of the worker) is dedicated from the worker's wage to a pension fund¹⁶.

Additionally it exists the solidarity pension's fund institution, whose aim is to enlarge the covering in pensions by means of subsidy to the population's groups that for its characteristics and socio economic conditions do not have access to the systems of social security.

This fund is financed with a rate of 1% take from the wage of the members of the system when their income is greater than four (4) times the effective legal monthly minimum wages (salario mínimo mensual legal vigente SMMLV).

The third category of institutions responsible for the social policy that provides conditioned subsidies to the Colombian population, are companies denominated as enterprise of family compensation which are non lucrative organizations that complete social welfare's functions and recreation, and they have created financially in the country a group of very solid organizations that offer recreation, own supermarkets and warehouses in which the affiliated population can obtain goods and services under more favourable economic conditions of price with regard to the competitive and not regulated market.

Their members can receive the subsidies through services in health, education and nutrition programs, housing and even income.

¹⁶ These funds were allowed by law 100, 1993. Besides of those private funds, it exists in Colombia the social security institution that depends totally to the government and other special regimes of social security.

The monetary subsidies are tied to the condition that the beneficiary works monthly at least 96 hours and claims for the subsidy, she should be responsible for people that they give to her the right, as children legitimate, adoptive children or the spouse, as well as brother under with special conditions, and the member's parents.

The family subsidy that is offered through this type of enterprises is addressed to those workers that fulfil the previous parameters, and do not receive monthly income as wage or in kind, greater than four times the SMMLV.

In Colombia exists a fourth institutional category of social policy that was created to provide and defend the welfare of the childhood and the family and it is named The Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar ICBF).

This institution is financed through taxes applied to the salary that the corporations pay to her employees. These tax contributions (1% of total wages) represent between, 85% and 93% of the total revenues of this institution.

The target population for the programs that are carried out by this institution are conditioned mainly to the population under seven (7) years old with malnutrition risk or under conditions of extreme poverty.

This institution also assists people between zero and 18 years who require to be assisted by displacement problems originated by the violence, smaller victims of the violence and demobilized boys from the dangerous groups.

Lastly the final category that we can distinguish in Colombia as an institution of the social policy, that we can say is the nearest to the concept of basic income and which has been very recently implemented in Colombia¹⁷ it is the general system of subsidies to employment-unemployment, which is divided in two categories: assurance or subsidy to the unemployment and subsidy to the employment.

The subsidy to the unemployment is divided in three types of assurance: (i) the services to unemployed people that were previously members of the enterprises of family compensation. The economic benefits as services that those people may receive from these enterprises are for the term of one year, starting from the moment in which they lose their employment; (ii) the support regime for unemployed that were previously members of the enterprises of family compensation. This is an income support of 1.5 SMMLV that is given to the unemployed based on six equal monthly quotas that become effective by contributions in health, food bonus or education. For this purpose, the compensation enterprises should transfer 30% of the resources that are under their administration to the fund for the development of employment and protection from unemployment and; (iii) the support regime for unemployed people without any previous link to the enterprises of family compensation. This support reaches a monetary allocation equivalent as a subsidy of 1.5 SMMLV, which is granted on the basis of six (6) equal monthly quotas that become effective to contributions in health, food bonus or education.

¹⁷ Created by law 789, 2002.

For the previous purpose, the enterprises of family compensation transfers, a 5% of the resources under their administration to the fund for the development of employment and protection from unemployment.

Regarding the employment's subsidy that is given directly to companies, it presents diverse mechanisms to be granted to small as well as medium companies and also to workers and parents.

Such subsidies and those for unemployment are also granted through the enterprises of family compensation. Inside these subsidies is relevant the family subsidy in cash, to workers whose revenues do not overcome the four (4) SMMLV, and that, adding those of their spouse they do not overcome the six (6) SMMLV, which consists on a subsidy in cash denominated monetary quota, and it is perceived by the employee according to the number of persons who he has in charge.

Inside this last category the subsidy to the housing has been included because it is granted in cash and its beneficiaries are the household without enough resources to obtain a housing, to improve it or to be able to legalize its titularity.

It is understand that each individual who lacks enough resources to obtain a solution of housing of social interest is because its revenues are under four SMMLV.

THE NOT CONDITIONED SUBSIDIES

With the presentation of the previous chapter it is possible to see clearly the existence of several institutions that have created a consistent basic structure of rights which consists in a group of companies and rules that try to provide to the vulnerable¹⁸ or disadvantage¹⁹ population, in one way or another, the access to certain basic goods. Their claim is unquestionable and they would allow people to have the biggest possible opportunities to freely do any thing that they may want to make and therefore to be really free or to possess a “real freedom.”

However, from the Van Parijs’ perspective, to have this group of institutions that use to deliver a subsidy or a considered basic good under some conditions, remains in terms of what he calls the formal freedom different to real freedom that gives people all the opportunities and means a person needs to achieve whatever thing she might want to do.

Even if individuals posses a right, if there are conditions, they will not be able to have the self-security, as far as they cannot freely access those goods considered as basic.

For instance, in order to access the protection system for the unemployment or the protection system to the childhood and the family or the protection system in health, etc. it is asked to complete certain requirements.

¹⁸ According with the Colombian political constitution.

¹⁹ According the fundamentals presented previously in this paper

However, it is worth to say that a fair system of selection of beneficiaries that is able to identify the population that really is in disadvantage of claiming their fundamental rights or is in capacity to identify the vulnerable population, will allow that the universality principles fully apply²⁰.

Once this universality principle will be reached, it will not be necessary the conditionality aspect because the beneficiaries of the selective or residual social policy will propend to the maximization of the social policy's benefits through the democratic systems and by this way, it will be possible to think about the following step, the institution of an universal basic income for all Colombians.

THE UNIVERSAL BASIC INCOME

As it has been mentioned till now, it exists in Colombia the institutions that despite of not having been created to promote the real freedom, could be contributing to guarantee that the disadvantage or vulnerable population may claim a basic structure of rights and the access to the basic goods of the society in order to own themselves and by a biggest number of opportunities, those individuals might do whatever they might want to do²¹.

The basic income in Colombia will contribute to this purpose of real freedom once the universality of the access to the basic goods will be reached.

²⁰ Gonzalez y Sarmiento explains the kind of errors (type I and II) of the selection systems [SISBEN] to Colombia. The type I error, is when the system exclude the individuals that they have the claim. The type II error is when the system include the people that they should not be included.

²¹ The third Van Parijs' condition to reach the real freedom.

A basic income in Colombia should begin like the conditioned subsidies did, for those people in disadvantage of being able to guarantee permanent basic revenues.

Once the obstacle of the conditions in the social policy of the basic goods would be overcome, the conditions should be replicated for the basic income. For instance, disabled people, mothers head of family, children under seven (7) years old under vulnerability conditions, etc.

When the basic income become universal and unconditional we will have reached the biggest degree of sustainable development in the whole history of the economic development.

CONCLUSION

In this article we have reviewed the concepts of efficiency and equity that inspire the social politics at the moment in Colombia.

To try to connect those principles to the Van Parijs' principle of real freedom it is quite pretentious and surely impossible to unify. However, to make the effort for an economy like of the one in Colombia is quite attractive and challenging because, since what the social policy should seek, in addition to possess a universal character, it is that the individuals can be really free under the rector principles of the real freedom.

The path of the efficiency has allowed at least to build a series of institutions that although they were never inspired in achieving real freedom, they may constitute a basic structure for the guarantee of the rights what would allow to part of the population, notably the most vulnerable, to have the greatest possible opportunities to do whatever they might want to do and being really free.

These institutions have been classified in five big groups that look to match the needs of different types of the vulnerable population.

The way to reach the benefits that those institutions of subsidy, based on the demand side, offer is trough a system of selection of beneficiaries that, if being efficient and fair, will allow to the neediest, according to the “leximin” approach proposed by Van Parijs, to freely access a minimum of goods, opportunities and means that will allow them to be really free to do whatever they might want to do.

The building up of institutions related in this paper has been created under a market conception and in frank tension with the constitutional command that orders the creation of a Social State of Right.

The creation of a Social State of Right forces to go beyond leaving everything to be managed by the market forces. It demands an active government that builds some solid institutions that allow a bigger distributive social justice.

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