

Unconditional Basic Individual Universal Child Grant for Belgium following the Slovenian approach (SI_UBI UCG_BE)

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Abstract

This paper presents some evidence suggesting that for developed countries, a universal, unconditional and uniform basic income (UBI) approach is more effective than a means-tested, conditional and targeted benefit system in addressing child poverty.

In accordance with the aim of the International conference (2019) on Universal Child Grants (UCGs), a policy design for Universal Child Benefit for Belgium is outlined. The policy is modelled on the Universal Basic Income Proposal for Slovenia (Korošec, 2010), the simulation of which shows that a UBI approach is more effective than means-tested, conditional and targeted benefits. The findings of Korošec (2010) fit well with those of the study report 'Basic income as a policy option: Can it add up?' (OECD, 2017) and the article 'Tackling inequality' (IMF, *Fiscal Monitor*, 2017). The recent study 'Universal basic income: Debate and impact assessment' (IMF, 2018) also resembles Korošec (2012) in that it also outlines the steps necessary for designing a UBI policy framework. Some consensus is starting to emerge on the circumstances in which a UBI system is better than the current means-tested system for all.

The affordability study for UBI UCG in Belgium presented here (i.e. SI_UBI UCG_BE), is simulated by MEFISTO, which is a micro-simulation model for Belgium based on EUROMOD. This simulation shows that with the same amount of money (i.e. no budget change), the child poverty rate drops if the current 27 benefit schemes are replaced with a universal flat-rate child grant (200€/month) and a 400€/month single-parent supplement. Child poverty rates drop the most in the first and second income deciles. The majority of the population is either unaffected or benefits from the simulated reform, and the Gini co-efficient is slightly lower, by 0.03.

We confirm, at least for two developed countries that already have comprehensive and by the effects almost universal social security systems, Slovenia and Belgium, that within the same fiscal envelope (i.e. budget neutral) and with UBI implemented on a level just above the current Guaranteed Minimum Income scheme (GMI), a UBI system is better than the current (means-tested) system in lowering child poverty.

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Introduction	3
Why should a Slovenian UBI proposal be relevant for Belgium?	3
Slovenian UBI proposal (Korošec, 2010).....	5
The context.....	5
Design of UBI policy framework.....	6
The Aim and Goals.....	6
Definition of UBI	6
Evaluation Criteria.....	7
The stages in the construction	7
The level of UBI.....	7
Budget neutrality	8
The expected impact on household incomes.....	9
The micro-simulation.....	10
Resumé of the findings of Korošec (2010), OECD (2017), IMF (2017) and IMF (2018).....	10
Budget neutrality	11
UBI implication on the relative and absolute poverty	11
Design of Unconditional Basic Individual Universal Child Grant for Belgium.....	12
The context of UBI UCG of Belgium policy design in 2018.....	12
The stages in the construction of SI_UBI UCG_BE.....	14
Preconditions (budget neutrality etc.)	14
The evaluation criteria	14
Changes in the system.....	14
The level of UBI.....	15
The Results of the simulated SI_UBI UCG_BE scenario.....	15
Conclusion	18
Sources.....	19

Introduction

The International Conference on Universal Child Grants (UCGs) convened by UNICEF and the International Labour Organization in 2019 aimed to support and promote informed policy debate and decision-making with regards to cash transfers aimed to reduce child poverty. When discussing UCG, we typically assume the form of non-contributory instruments characterised by no means test, paid in cash or as a tax transfer on a regular basis and without behavioural conditions to the primary caregiver, for children between the ages of 0 and 18 years, or longer if the children are in full-time higher education or training or living with a disability.

At a time when cash transfers have been increasingly adopted by countries as core elements of social protection, grows also the global discussion on Universal Basic Income (UBI) . By Universal Basic Income we mean an income paid by a political community to all its members on an individual basis, without means test or work requirement. However debates on the effectiveness and trade-offs of UBI introduction are lively. Key issues in these debates include targeting and universalism, conditionality and policy financing.

Increasingly, the costs and effects of UBI are discussed in the context of calculations and micro-simulations world-wide. The most recent include: 1) the OECD (2017) study, 'Basic income as a policy option: Can it add up?'; 2) the IMF (2017) *Fiscal Monitor* article 'Tackling inequality', in which UBI was discussed as a policy that could help achieve redistributive goals; and 3) the most current report at the time of writing from the IMF (2018), 'Universal basic income: Debate and impact assessment'. All these studies in many ways confirm the approach and findings of the UBI proposal for Slovenia made by Korošec (2010).

This Slovenian (budget neutral) approach was used in designing the Unconditional Uniform Basic Income Universal Child Grant for Belgium (SI_UBI UCG_BE, 2018). Exploring a UBI UCG for Belgium under budget-neutral assumptions gives us a clear answer about whether an unconditional or means-tested program is better at reducing child poverty rates compared with existing system.

This paper has five sections. In the first part, the case is made for why the Slovenian UBI proposal could be relevant for Belgium. Then the Slovenian UBI proposal (2010) is described. Section three discusses the findings of that study, complemented with some findings of the OECD (2017), IMF (2017) and IMF (2018). In the fourth section, a design for a UBI UCG for Belgium and the contingent micro-simulation results by MEFISTO are presented. Finally, some conclusions are laid out.

Why should a Slovenian UBI proposal be relevant for Belgium?

Why should Slovenia, or indeed Belgium, prefer UBI over their current means-tested and targeted social security system?

Slovenia¹ is by most classifications and standards a developed country. It is a part of the EMU, EU, and OECD countries. In 2017, Slovenia was ranked 7th in the EU at-risk-of-poverty index, with a score of 13.3% (cut-off point: 60% of median equivalised income after social transfers, SILC-Eurostat; Figure 1). This is a bit worse than 2008, when Slovenia had a rate of 12.3% at-risk-of-poverty rate (Figure 2).

¹ The Republic of Slovenia covers about 20 thousand square km and has approximately two million inhabitants. It is bordered by Italy, Austria, Hungary, Croatia, and the Adriatic Sea.

In 2018, Slovenia was ranked 25th among 189 countries of the world on the Human Development Index (HDI, 2018) and had the lowest Gini coefficient (25.4) among the very developed countries.

Belgium is also a member of the EMU, the EU, and the OECD. According to the Human Development Index, Belgium is 17th in the world, with a Gini coefficient of 27.7 (HDI, 2018). The At-risk-of-poverty rate for Belgium was 15.9% in 2017 compared with its 2008 rate of 14.7% (Figures 1 and 2). Although all the numbers are a bit higher for Belgium, these two countries are in many aspects very alike.

Figure 1: At-risk-of-poverty rate, EU countries, 2008 and 2017, in %

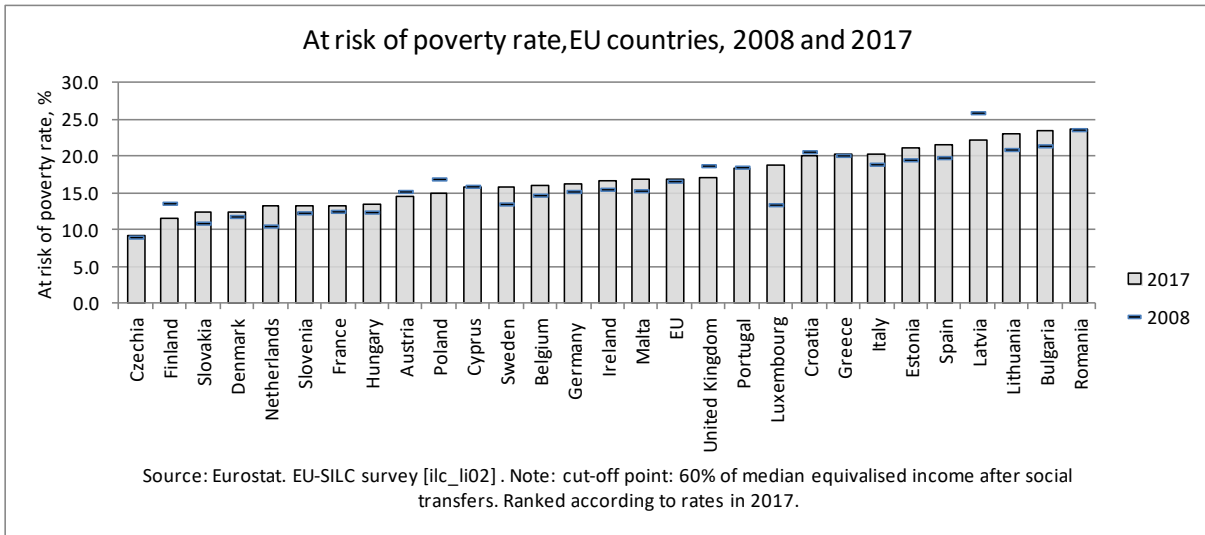
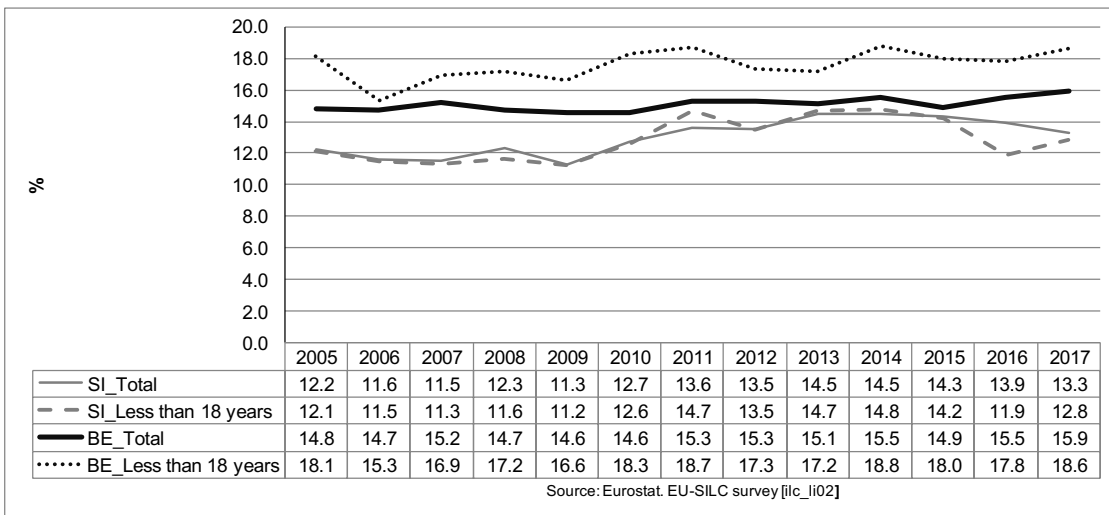


Figure 2: At-risk-of-poverty rate by age, total and less than 18 years, Slovenia & Belgium, 2005-2017, in %



In Slovenia, it is difficult to explain logically why there is any poverty. There is already a 'universal' system for Guaranteed Minimum Income (GMI), delivered so that: 1) all who are unable to work (sick, old, disabled, mothers, children) and/or are unable to find a work, have the right to subsistence provided by the State; and 2) all the others employed have a right to be paid at least on the level of subsistence. In addition, there are unemployment benefits, child benefits, family benefits, old age benefits, disability benefits, and sickness benefits within a universal health system which is tailored for each sub-population group. According to the Constitution, social security law,

labour market law, etc, there cannot be a person in Slovenia who does not have some means of subsistence. However, in reality, it is not so. The theory is not borne out in practice. In practice in Slovenia, many find themselves outside the social security system and existing below subsistence levels.

Slovenian UBI proposal (Korošec, 2010)

The context

A culture of tax and social contribution evasion and wage fraud had been on the rise in Slovenia since independence in 1991; at the time of the world economic crisis, this escalated and many workers were not paid, leaving them with no financial means to support themselves and their families (Korošec, 2014). They were seemed to be employed and being paid, therefore they could not ask for social assistance and access to any other kind of GMI scheme. Therefore, 'on paper' fulfilment of the social contract was in place as far as benefits were concerned, and in addition, legally everything seemed fine, since they could sue their employers for unpaid wages - on their own. This is the main problem with Slovenia's poverty discourse or any social policy discourse: in theory, the system is working.

It would probably be possible to mend the kinds of issues noted above, but it would in all probability be a Sisyphean task. Closer examination by the Korošec investigation (2010) reported in the section 'Why Slovenia needs a UBI system,' showed that the Slovenian social security system is very complicated, and full of contradictions and catch-22 situations. Where to start? Indeed, how to start reform in a country where people find it difficult to co-operate across the political spectrum; where most of the people were 'on guard' to oppose any reform the government could propose?² The priority of the UBI proposal for Slovenia (2010), therefore, was to apply the UBI idea in the simplest possible way: to build a system everyone could understand, and in which it would be difficult to cheat. It was also hoped that reducing the complexity of the current system would also have the benefit of enhancing transparency and consequently increase trust in the government, which would in turn make it easier to introduce urgent structural reforms. It may also be that, in the strange atmosphere of 2008 and after, UBI was also seen as a kind of 'insurance policy for the people' against the extreme neoliberal ideas of some political parties. In 2019, Mencinger³ wrote: 'I was one of those who expressed concerns about UBI in 2004. It should be noted that at that time politicians repeated the empty slogans of the Lisbon Strategy on creating a knowledge society, talked about the flexibility of the labor market, the privatization of education, health and social security, and uniform tax rates. In short, they undermined the social rights already acquired. That is why I thought that the dilemmas that universal income is opening up are too many, and it would be better to stay with what Slovenia already have.'

²Slovenia exhibits a very low trust in national government. According to the European Commission Standard Eurobarometers numbers 73 and 90, 23% tended to trust the national parliament in spring 2010, and 24% in autumn 2018.

³ Mencinger explored the possibility of UBI on a European level through European taxes (2015) or 'helicopter money' from the ECB (2017). ⁴ Mencinger explored the possibility of UBI on a European level through European taxes (2015) or 'helicopter money' from the ECB (2017). In 2019, Mencinger wrote: 'I was one of those who expressed concerns about UBI in 2004. It should be noted that at that time politicians repeated the empty slogans of the Lisbon Strategy on creating a knowledge society, talked about the flexibility of the labor market, the privatization of education, health and social security, and uniform tax rates. In short, they undermined the social rights already acquired. That is why I thought that the dilemmas that universal income is opening up are too many, and it would be better to stay with what we already have.'

It should also be pointed out that Slovenia's UBI proposal (Korošec 2010) was not written only as a theoretical task, but also as a practical one. That, and the fact that it was written by a sociologist, who had no micro-simulation model at her disposal and therefore relied mainly on logical thinking, were reasons for its 'simplicity'

Another factor in making the system of UBI simple as possible, was the problem of 'system rigidity' or 'path dependency'. Professionals, who understood the system (and the proposal), were not ready to help out of fear that UBI might undermine their careers and life-long work in a means-tested system. Therefore, the proposal had to be simple enough, that ordinary people could understand and claim it.

An economic crisis was waiting to escalate. UBI idea seemed to be simple enough to secure subsistence level for all. There was also an idea that the timing is right, that people will be open for a new approach when the old system is crashing. It was not so. This window of opportunity brought Slovenia just UBI proposal so far was presented (Korošec, 2010) and the Organisation for UBI Promotion in Slovenia (Sekcija za promocijo UTD v Sloveniji). People were obviously so afraid that they preferred to stick to the old ways, in a manner of "better a bird in the hand⁴ than hundreds in the bush".

The EU's fiscal rule⁵ was about to be accepted in Slovenia. So, budget neutrality was in a way a pre-condition of the proposal, according to the political circumstances and the possibility of the need for instant implementation. There was also a scientific curiosity: what can be done differently with the same amount of money? Can we do it better?

6

Design of UBI policy framework

The aim and goals

In 2010, the Slovenian UBI proposal was published on the internet. The aim of the proposal was to help the Slovenian government simplify social administration so that they could deliver on the constitutional rights that all citizens should have enough income on which to survive. By doing that, the Slovenian government hoped to secure and preserve individual autonomy and the incentive to work in a time of economic hardship.

Definition of UBI

UBI is an income paid by a political community to all its members on an individual basis, without means test or work requirement. This is a combination of Phillip Van Parijs' (2004) and BIEN's definition. Eligibility to receive the Slovenian UBI comes with citizenship which again, comes with being born in Slovenia or with ten years of residency, five of which should be continuous.

⁴ Mencinger explored the possibility of UBI on a European level through European taxes (2015) or 'helicopter money' from the ECB (2017). In 2019, Mencinger wrote: 'I was one of those who expressed concerns about UBI in 2004. It should be noted that at that time politicians repeated the empty slogans of the Lisbon Strategy on creating a knowledge society, talked about the flexibility of the labor market, the privatization of education, health and social security, and uniform tax rates. In short, they undermined the social rights already acquired. That is why I thought that the dilemmas that universal income is opening up are too many, and it would be better to stay with what we already have.'

⁵ Fiscal Rule. http://www.mf.gov.si/en/areas_of_work/economic_governance/fiscal_policy/fiscal_rule/

Evaluation criteria

To evaluate whether the introduction of UBI could be a better option than the existing ways of providing income support in Slovenia, its potential impacts on income distribution had to be examined. For this, the following criteria were considered:

- social justice⁶ criteria: the UBI system should not worsen the income position of the most vulnerable and should financially benefit the majority
- simplicity of design: universal, unconditional, uniform, basic, individual
- instant implementation: the existing system should stay the same where possible, so that time-consuming political procedures will not be needed
- budget: the system should be budget neutral.

Stages in the construction of the policy

Three population sub-groups were identified for the purposes of instant implementation and cost estimation. Each of these three 'groups' would be treated differently with the aim of achieving the same result: guaranteeing each member of society a monthly income on the UBI level.

The first group was retired and disabled people, the second employed people, and the third group were all the other people 'not employed': unemployed, children and poor (as being under current poverty threshold). The three groups should be financed through different financial institutions under different regimes: Retirement Fund for the retired, Financial Administration of the Slovenian Republic (FURS) for the employed, and Ministry for Social Affairs for 'all not employed'. It was proposed that the three groups should be financed through existing schemes which were designed to cater for them, although some modifications were necessary to their existing processes to bring them into line with the simpler, UBI model.

That means that the same institutions as in the current system would take care for the same group of people, although in a simpler, UBI way.

Therefore, the policy indicated that:

- the incomes of those retired early and those retired with a disability pension should remain the same, except for where the pension or disability benefit was below the agreed level for UBI, in which case the income would be topped up to the UBI level
- a system akin to 'negative income tax' would be used for those who were employed. In practice, that means, if the employed person at the end of the month would not have on their account at least a part of 'earned wage' on the UBI level, FURS (Financial Administration of the Slovenian Republic) would 'jump in' and helped with the amount on UBI level, and FURS would later on reclaim it from employers. It is actually a kind of state security scheme for employees and (small) employers to be sure, no one is without existential minimum.
- the third group should receive the full amount of UBI.

The level of UBI

A number of different considerations were combined to arrive at the level of UBI.

- The UBI level should be above existing GMI benefits for the different subgroups.

⁶ In Slovenia, inequality, and poverty was never the major argument for UBI implementation, but who would propose a system that would make these things worse?

- The UBI level needed to create equilibrium to satisfy the two evaluation criteria of social justice.
- The UBI level should be above the highest level of child benefit.
- The UBI level should be above the level of existing GMI benefit, which is in Slovenia named as Social Assistance; sl. Denarna socialna pomoč, DSP) as calculated in the current system for a single person without children.
- The UBI level should allow a family of two adults and two children of school-going age receiving GMI benefits and without any other source of income to receive a higher amount of support than under the existing tax-benefit system.

Bearing all this in mind, the UBI level was finally calculated as an average of three components: social assistance for a single person with no children, $\frac{1}{2}$ of the poverty threshold⁷ at the point of 60% per cent of the median income, and $\frac{1}{3}$ ⁸ of an average net wage.

Most UBI proposals set different levels for adults and children. Korošec (2010) proposed an equal UBI (flat-rate) for adults and children. Firstly, because of this uniformity, no one would have any reason to cheat. Secondly, to be on the safe side in an era of dismantling the social state, e.g. privatisation of educational system, pension system, health system, Mencinger was warning us about. For that reason, the value of education vouchers was explicitly included in UBI costs for children. In contrast, the costs of universal basic health care for children were implicitly included, on the assumption that public services would continue unchanged.

Budget neutrality

Within this budget-neutral option, the UBI fiscal envelope was set by the calibrated sum of existing universal and means-tested, non-contributory transfers and tax allowances within the current tax system.

- Tax brackets would remain⁹ the same, but most (10 of them), though not all, existing tax-free allowances would be replaced with UBI.¹⁰
- The social contribution system would remain the same.
- The majority of benefits would remain unchanged, although 16 specific existing benefits would be abolished (unemployment benefits, social assistance, and other generalized minimum-income schemes, student maintenance grants and family benefits).
- An unconditional, individual, flat-rate benefit (i.e. UBI) would be introduced.
- Public services, such as health, education, care or other in-kind support were assumed to continue unchanged. The same was true for additional costs for specific needs people may have, such as the costs related to a disability or for renting¹¹ suitable accommodation.

⁷ Instead of the poverty threshold, the minimum wage level could be used. This is, as directed by the Minimum Wage Act, set in accordance with growth in consumer prices – they were pretty much on the same level in 2008.

⁸ The level of UBI for Slovenia for the employed population was set according to Veljko Rus's, suggestions (1990). He brought the idea of partial basic income (PBI) from the Netherlands where the Scientific Council for Government Policy in 1985 (WRR, 1985) proposed PBI (in the Netherlands known by the acronym DOOD) in its report *Safeguarding Social Security: An Outline of a New System of Social Security* (Report no. 26, 1985).

⁹ Direct or indirect income taxes could be increased or decreased, with the current progressive shape, but this calculation was not part of Korošec's (2010) proposal. It was done afterward by Boltin and Uroš (2013).

¹⁰ The logic here is that instead of allowing individuals to keep a portion of their income tax-free, they will receive it in the form of UBI. In the Slovenian proposal, an 'advanced negative income tax' was designed because people did not trust government administration and any bigger change of the tax system would be opposed.

¹¹ Full discussions on the reasoning here are beyond the scope of this paper, but in short, it was meant that means-tested support for housing costs remained in place but could change in value for families whose incomes changed as a result of

In establishing the fiscal envelope, it was important to account for non-take-up of existing benefits, since a universal UBI would likely have near-complete take-up.

The expected impact on household incomes

The main features of such a UBI system (budget neutral, on the level just above GMI benefits) were expected to be:

- in most cases, those in work would see the amount they receive as UBI offset by higher income taxes as a tax-allowances were abolished
- the majority receiving GMI benefits would receive the same or a slightly higher amount than they were under existing systems
- some additional cost would be incurred for the sub-group of retired and the sub-group of employed, who were not included in the current system although their income was below subsistence level
- the total UBI amount for a couple with two children would be a bit higher than the current GMI amount
- all couples (with or without children) with no other income sources) would receive more than from existing systems because existing social assistance systems set the amount for couples at less than twice the amount for a single person (i.e. at 0.7 for the second adult person).

It was not clear whether single parents with no earnings or any other private income would generally receive less than they do under existing GMI systems, which often provide extra support to single-parent households. In addition, it is was not clear how UBI would affect parents with pre-school children, since provision here is connected with local government support, and local-level GMI support was not included in the UBI proposal 2010.

9

Table 1: Budget-neutral UBI level, Slovenia 2010, monthly

	Budget-neutral UBI level	
	Adult	Child (<18)
Slovenia	300 €	300 €

Source: Korošec, 2010

Table 2: Budget implication of UBI set just above the level of GMI benefits; Changes in tax revenues and expenditures, annual amount, Korošec, 2010

Country	Change in income tax	Change in social security contributions	Spending on current GMI schemes that UBI would replace	Spending on UBI at just above GMI levels	Overall direct Budget effect
Slovenia	€909 ml	0	€1000ml	€1834 ml	+€75 ml

Source: Korošec, 2010 Notes: Data for the year 2008 including data calculated by Ministry of Finance upon special request of Korošec.

the introduction of UBI. The UBI amounts are counted as income in means tests so that those with no private income continue to receive the same amount of cash housing support as in existing tax-benefit systems.

The micro-simulation

In order to examine the impact of UBI, we used a micro-simulation model on the social policy system of 2008 at the Institute for Economic Research (IER). The micro-simulation for 2010 showed that the lowest deciles were most likely to gain but there were higher deciles in some sub-populations, and declines for some groups as well. For instance, the 2nd deciles of those older than 65 years and retired could see some decline in their income. On the whole, it was clear that UBI would benefit vulnerable groups in comparison with the current system.

Table 3: Impact of the Korošec (2010) on certain most vulnerable subgroups - Income growth (in %)

Deciles	Preschool children	Students	Older than 65	Retired
1	52.9	65.5	39.5	43574.0
2	14.1	9.2	-3.3	-0.9
3	10.9	5.9	0.1	0.7
4	10.7	5.0	0.3	0.5
5	9.4	8.4	0.4	0.5
6	10.2	8.4	0.2	0.4
7	7.5	7.8	0.1	0.1
8	7.3	5.8	-0.1	-0.1
9	7.2	3.4	-1.0	-0.8
10	7.0	2.7	-1.7	-1.1

Source: Korošec (2012); calculation Institute for Economic Research; IER (2010).

10

The Korošec (2010) UBI proposal was very simple. It was expected that more detailed studies would follow. However, this was not the case, and only limited university research¹² confirmed the calculations of the UBI proposal (2010).

Summary of the findings of Korošec (2010), OECD (2017), IMF (2017) and IMF (2018)

The IMF in its *Fiscal Monitor* article 'Tackling inequalities' (2017) admits, it is convinced that means testing would be a superior alternative to universality if it could be perfectly designed and implemented. We all could easily agree with this line of thought. However, IMF also states that the choice is not always obvious, given limited administrative capacity and information constraints in many countries. As stated before, Slovenia has had and has problems in both these areas, administrative capacity and information constraints, therefore it could be considered a perfect candidate for a UBI system which will simplify administration.

The most recent study available at the time of writing, 'Universal basic income: Debate and impact assessment' (IMF, 2018), resembles Korošec paper presented in München (2012) in outlining the

¹² Univerzalni temeljni dohodek : diplomsko delo (2010). Mohar, Daška (author), Kostevc, Črt (menthor). <http://www.cek.ef.uni-lj.si/UPES/mohar644.pdf>

Univerzalni temeljni dohodek : diplomsko delo (2011) [Sukič, Matej](#) (autor), [Kovač, Bogomir](#) (menthor) <https://repozitorij.uni-lj.si/lzpisGradiva.php?id=1667>

Univerzalni temeljni dohodek : diplomsko delo (2013). Fajfar, Luka (author), Taškar Beloglavec, Sabina (menthor). <https://dk.um.si/lzpisGradiva.php?id=41039&lang=slv&prp=rul:9154632:d4>

Univerzalni temeljni dohodek kot sistemska rešitev na trgu dela (2016). Lukovnjak, Sebastijan (author), Klanjšek, Rudi (menthor).

necessary steps for designing a UBI policy framework. Both studies also agree on the malfunctions of current benefit systems. Compared with the IMF (2017) and OECD (2017) studies, the 2018 IMF study specifically recognises that disincentives to work can be sizeable under the current system. However, it is also of the view that designing a data experiment aiming to create heterogeneity in places and systems, it adding complexity to an already very complex task. In this view, the 2018 paper is very similar to the IMF study (2017) and, to a lesser extent, the OECD study (2017). Korošec's (2010) approach aimed in the opposite direction by attempting to reduce the complexity of the task to the simplest possible level, thus hoping to find a clear answer about under what circumstances a UBI approach would be better than the current means-tested system. The results of the micro-simulation of the Slovenia proposal in 2010 were clear: with the same amount of money, the UBI system would be a better solution for the most vulnerable sub-populations than existing benefits.

However, there is more to it. Those Slovenian findings corresponds with OECD (2017) and IMF (2017) in many ways, but especially well with the OECD (2017:11) budget neutral scenario, with the UBI level, which is initially set at GMI levels and increased until net government spending is the same as before the reform. It shows that is not just the result of Slovenian case - it is becoming the 'common rule' -some kind of consensus that should become a starting point of further discussion and research

Budget neutrality

'The fiscal cost of a UBI will depend on the level at which it is set' (IMF, 2017: x). In the budget-neutral scenario, the opposite is obviously true as well: the level of UBI is dictated by the current budget. Assuming that UBI is given to all individuals in the country, then the UBI level is set by a 'fiscal envelope' divided by individuals in the country. There seems to be consensus among Korošec (2010), IMF (2017) and OECD (2017) that within a budget-neutral option, the UBI fiscal envelope is set by the calibrated sum of existing universal and means-tested, non-contributory transfers and tax allowances within the current tax system.

The IMF (2017) claims that they focused on budget-neutral options because of the limited fiscal space in many countries. The OECD (2017) on the other hand, claims that '[t]his approach enables the identification of pure policy effects, in this case, how far [the] existing means-testing social protection system is from a UBI system: if we take on the budget neutral approach, then only results on inequality and poverty have to be examined' (p. 6). The budget-neutral approach is logically the best way to arrive at a clear-cut answer as to which system is better regarding potential impacts on inequality and poverty: UBI or means-testing. Therefore, we want to measure the change in income distribution when we apply the same amount of money under two different systems.

UBI effect on relative and absolute poverty

There was an assumption that the Slovenian UBI system would broadly replicate existing systems of income, since the system was so mildly changed and the Gini co-efficient and poverty rates were already low. This assumption was confirmed. This is in compliance with the IMF (2017) statement that '[t]he distributive impact of replacing existing transfers with a UBI will also depend on the coverage and progressivity of the existing transfer system—in other words, on how well the current system covers and targets vulnerable populations'. There is growing consensus that developed countries can introduce UBI at the level of their existing GMI schemes in a budget-neutral way if

they already have a quite comprehensive system. That was also the message of Korošec's calculation of UBI level for 24 European and OECD countries (Korošec, 2016).

Rather than reducing the overall headcount of those in poverty, a UBI would change the composition of the income-poor population. A reduction in poverty among those currently not covered by social protection systems would be offset by some of those who are covered by existing social protection systems and who would lose out from the introduction of a UBI (OECD, 2017). The IMF study (2017, p. 18) warns us about the same issue: 'A UBI distributes existing transfers uniformly across the population, thus potentially improving coverage of lower-income households, but it may do so at the expense of the generosity of benefits for those lower-income households that receive transfers under the current system.' In Slovenia, as noted above, that happened to older than 65 and retired people in the 2nd decile (Table 3). It is a strange counter argument: not wanting to use UBI to improve an 'unfair system' because it may hurt some of the people who profited in the old system more than might be considered their 'fair share'. None the less, as we are talking mostly about low-income groups, additional stress on anyone is undesirable. This can be solved quite easily with a sensible approach in implementation.

About the direct effect of a UBI on income poverty, the OECD (2017, p. 23) stated: 'Although there would be more winners than losers among low-income groups under a UBI, it would probably not be an effective tool for reducing poverty. Rather than reducing the overall headcount of those in poverty, a UBI would change the composition of the income-poor population.' This would seem to be logical, since UBI would be reallocating the same amount of money among more or less the same group of people. The biggest difference is that UBI importantly simplifies administration compared with the current means-tested system. However, UBI is a better tool to reduce absolute poverty than the means-tested system, because UBI would at least bring those with the lowest incomes closer to the poverty line (OECD, 2017, p. 23). This statement, however, highlights another issue: the difference between the content of the terms absolute and relative poverty in UBI discourse is not properly understood and creates a huge discursive problem. It would be a substantial achievement of all the above studies if they led to the recognition that in developed countries with low inequality, UBI is a great tool to reduce *absolute* poverty but not *relative* poverty.

12

Design of Unconditional Basic Individual Universal Child Grant for Belgium

The (slovenian) context of UBI UCG of Belgium policy design in 2018

Since 2010, all of the above points have been persistently presented in Slovenia to the general public, professional public, politicians and others. Despite this, the UBI discourse in Slovenia has not progressed in recent years and there are several reasons for this. The most important one is probably general ignorance of the current system, and also the fact that for many people, issues of poverty are not of their personal concern.

In the media, however, the thesis most promulgated is the idea that UBI will reduce the incentive to work more than the current system does. Perhaps persistent 'blindness' to the fact 'that disincentives to work can be sizeable under current system' as well (as stated also in IMF, 2018: 10) can be attributed to the power of the capital e.g. employers in the media (through paying advertisement and controlling the discourse. In order to move beyond this argument, I decided to focus on two groups where the problem of work incentives is irrelevant, i.e. the retired and children.

At the International Conference in Maribor ‘Universal Basic Income as a Response to Social Inequalities in Europe, March 2015’, as the first step in the introduction of UBI in Slovenia, Korošec (2015) explained the idea of UBI UCG in Slovenia. The differences between three systems was explained: a) the current system, b) a means-tested universal child benefit for households with different levels of child grants and c) a universal unconditional uniform child grant (UBI)?

Slovenia is among those EU countries that do not have universal child grants yet. In all other aspects, child grants in Slovenia are similar to common, means-tested child grants in the rest of the EU. In 2016, a Coalition against Poverty was set up, aimed at a step-by-step introduction of UBI in Slovenia, first to the children, then to the poor (Sekcija UTD, 2016).

		child grants - current system	UCG - universal child grant	child UBI
inclusion	universal -all under 18 years	NO	YES	YES
	conditions	many	x	x
		wealth of household	x	x
targeting	conditions	the level of benefit depends on conditions		uniform
		the number of children		x
		the age of childre		x
		the order of children		x
		are children schooling		x
	administration	complicated		simpler
	administration adjustment needed	the same	some	some
financing	tax system adjustment needed	the same	some	some
	tax allowances	many	many	x
	change in financial means	the same	the same	the same

13

The idea of introducing children's UBI has become more important since then, particularly in the European organization for UBI (Unconditional Basic Income Europe; UBIE), where it was placed on the agenda for the UBIE meeting in Budapest in November 2018. That is why I simulated my idea of a Slovenian child UBI on MEFISTO.¹³ MEFISTO is a web-enabled micro-simulation model for Flanders (Decoster, 2012) that is publicly available for free (www.flemosi.be). MEFISTO utilizes the engine of the EUROMOD (EUROMOD, 2017). EUROMOD is the European Union tax-benefit micro-simulation model (SUTHERLAND, 2013).

¹³ Some years ago I have heard about the Austrian micro-simulation model SORESI and Belgian MEFISTO. I have tried both but preferred later for its user-friendly interface and English version. I have tried to simulate the Universal Basic Income Proposal for Slovenia (2010) on Belgian data then. It was to complex. In 2018 I have tried with the design of Unconditional Basic income Universal Child Grant for Belgium (SI_UBI UCG_BE). The results were surprisingly good. I wrote to the Philip Van Parijs in Belgium and he helped me to get into contact with an expert on MEFISTO who didn't oppose the findings. In autumn, Barb Jacobson (member of UBI from England) reminded it me on the International Conference on child UBI and I sent the proposal for this paper. Why am I writing about this context? Since 2010 exploring the possibilities of UBI implementation in Slovenia for the author became a kind of whistleblower's work. This is work done without any formal infrastructure and without any support from the public administration and government offices. The point is: scarcity of the resources was again the main reason to keep it simple.

The stages in the construction of SI_UBI UCG_BE

In order to design a sensible system, as proved to be Proposal (Korošec, 2010), the same same 'protocol' was followed. The protocol of preconditions, questions, evaluation criteria, necessary order of decisions as for example: the level of changes allowed to the existing system, and the level at which UBI would be placed. The following decisions were made:

Preconditions

- The system should be a budget-neutral option, where the fiscal envelope dedicated to the UBI will be set by the calibrated sum of existing universal and means-tested, non-contributory transfers and tax allowances within the current tax system, as in Korošec (2010).
- Tax brackets should remain the same.
- The social contribution system should remain the same.

The evaluation criteria

The UBI system 1) should not worsen the income position of the most vulnerable and 2) should financially benefit the majority. In evaluating its impacts on income distribution, the Gini coefficient and the rate of poverty risk for children should be examined.

Changes in the system

Twenty-seven (27) existing benefits and tax-free allowances connected with the child's subsistence level were replaced with a UBI for a child and with a UBI for a single parent, which is taken as a necessary part of child income security. Table 4 gives an overview of simulated changes.

Table 4: Overview of changes in SI_UBI UCG_BE simulated reform

		Before	After_UBI UCG			Changes:	
Personal Income Tax	Exempted Income	A part of each tax payer's income is exempted from income taxes. The exempted income is higher depending on the number of dependents.					
		Supplementary exempted income for the first dependent child	1500	0	€	Amount per year	1
		Supplementary exempted income for the second dependent child	2370	0	€	Amount per year	2
		Supplementary exempted income for the third dependent child	4800	0	€	Amount per year	3
		Supplementary exempted income for the extra dependent child	5350	0	€	Amount per year	4
	Tax credit for children	Maximum amount per dependent child	430	0	€	Amount per year	5
	Housing bonus	Supplement for 3 or more dependent children		0			6
Child allowances	Base amounts	Child allowances are cash benefits parents receive for each child. The benefit per child depends on the number of dependable children in the household.					
		First child	90.28	200	€	Amount per month	7
		First child of a self-employed	90.28	200	€	Amount per month	8
		Second child	167.05	200	€	Amount per month	9
		Third and subsequent child(ren)	249.41	200	€	Amount per month	10
	Age supplements	First child, aged 6-11:					
			15.73	0	€	Amount per month	11
		Subsequent child(ren), aged 6-11:					
			31.36	0	€	Amount per month	12
		First child, aged 12-17:					
			23.95	0	€	Amount per month	13
		Subsequent child(ren), aged 12-17:					
		47.92	0	€	Amount per month	14	
		First child, aged 18-25:					
		27.6	0	€	Amount per month	15	
		Subsequent child(ren), aged 18-25:					
		60.93	0	€	Amount per month	16	
	Social supplements	This part of the child allowances is supplementary for unemployed, disabled, pensioners and low-income families.					
		First child	45.96	0	€	Amount per month	17
		Second child	28.49	0	€	Amount per month	18
		Third and subsequent child(ren)	5	0	€	Amount per month	18
		Supplement first child if disabled parent:	52.89		€	Amount per month	20
	Supplement single parents	Supplement for single parent households					
		First child	45.96	400	€	Amount per month	21
		Second child	28.49	0	€	Amount per month	22
		Third and subsequent child(ren)	22.97	0	€	Amount per month	23
	Back-to-school premium	Yearly benefit for schoolgoing youth					
For children aged 0-5:		27.6	0	€	Amount per year	24	
For children aged 6-11:		58.59	0	€	Amount per year	25	
For children aged 12-17:		82.02	0	€	Amount per year	26	
	For children aged 18-25:	110.42	0	€	Amount per year	27	

Note: Powered by Mefisto (EUROMOD).

The level of UBI

A UBI level was set to satisfy the evaluation criteria within a budget-neutral precondition, and vice versa, i.e. budget neutrality was achieved by adjusting the UBI level within the evaluation criteria. The best combination (out of 15 different combinations) was 200 € for a child with 400 € supplements for single parents.

Table 5: Budget-neutral UBI level, SI_UBI UCG_BE simulated reform, monthly

	Single parents	Child
Belgium	400 €	200 €

Note: Powered by Mefisto (EUROMOD).

The Results of the simulated SI_UBI UCG_BE scenario

The reform as illustrated by the simulation causes changes in certain taxes and benefits. Table 6 gives an overview of these changes, as well as their net budgetary impact. The simulated reform SI_UBI UCG_BE showed zero additional cost to the existing budget of introducing UBI UCG as proposed.

Table 6: Changes in tax revenues and expenditures, SI_UBI UCG_BE simulated reform, annual amount

	Before	€	After	€	Change	€	Change %
Personal income tax	39.6	<i>mld.</i> €	41.2	<i>mld.</i> €	1.61	<i>mld.</i> €	4.06 %
Other direct taxes	5.63	<i>mld.</i> €	5.75	<i>mld.</i> €	120.02	<i>mln</i> €	2.13 %
VAT	16.66	<i>mld.</i> €	16.65	<i>mld.</i> €	-5.07	<i>mln</i> €	-0.03 %
Social security contributions	53.54	<i>mld.</i> €	53.54	<i>mld.</i> €	0.08	<i>mln</i> €	0.00 %
Child benefits	5.91	<i>mld.</i> €	7.61	<i>mld.</i> €	1.7	<i>mld.</i> €	28.84 %
Unemployment benefits	7.08	<i>mld.</i> €	7.08	<i>mld.</i> €	0.00	<i>mln</i> €	0.00 %
Minimum Income protection	1.39	<i>mld.</i> €	1.4	<i>mld.</i> €	16.54	<i>mln</i> €	1.19 %
Taxes minus benefits	101.04	<i>mld.</i> €	101.04	<i>mld.</i> €	0.44	<i>mln</i> €	0.00 %

Source: own calculations. Note: Powered by Mefisto (EUROMOD9; mln (1.000.000), mld (1.000.000.000)).

Table 7 shows the effects of SI_UBI_UDG_BE reform on the percentage of children below the poverty line; the child poverty rate drops by 1.83 pp (percentage points; Table 7) in the simulated reform.

Table 7: The simulated effects of the reform on a set of poverty indicators

	Before	After UBI UCG	Change
People in poverty	1,400,728	1,304,495	96,233
Poverty rate	12.9 %	12.02 %	-0.89 <i>pp.</i>
Poverty gap per poor HH	474.67 €	517.96 €	43,28 €
Children (<14y) in poverty	247344 %	215123 %	-32221 <i>pp.</i>
Child poverty rate	14.05 %	12.22 %	-1.83 <i>pp.</i>

Source: own calculations. Note: Powered by Mefisto (EUROMOD).

Table 8 shows the poverty rates before and after simulated reform, as well as the change by income deciles. The child poverty rate after UBI dropped most in the first income deciles (-9.66 pp) and in the second income deciles (-8.63 pp).

16

Table 8: Child poverty: The effects of SI_UBI_UDG_BE reform on the percentage of children below the poverty line by equivalised income deciles.

Income deciles	Child Poverty Rate Before	Child Poverty Rate After	Child Poverty Rate Change
First	100.00	90.34	-9.66
Second	32.67	24.04	-8.63
Third	0.00	0.77	0.77
Fourth	0.00	0.00	0.00
Fifth	0.00	0.00	0.00
Sixth	0.00	0.00	0.00
Seventh	0.00	0.00	0.00
Eight	0.00	0.00	0.00
Ninth	0.00	0.00	0.00
Tenth	0.00	0.00	0.00
Population	14.05	12.22	-1.83

Source: own calculations. Note: Powered by Mefisto (EUROMOD).

Table 9 shows a breakdown of 'losers' and 'winners' share and average gain by equivalised income deciles. The simulation shows that that the majority of the population is among the 'winners' or is unaffected by this reform.

Table 9: Breakdown of losers, unaffected, winners share and average gain by deciles

Income deciles	Losers Share	%	Unaffected Share	%	Winners Share	%	Average gain	€
First	26.1	%	48.04	%	25.95	%	185,23	€
Second	18.76	%	53.45	%	27.79	%	231.72	€
Third	21.84	%	55.21	%	22.95	%	189.31	€
Fourth	27.90	%	48.29	%	23.81	%	103.09	€
Fifth	34.50	%	42.87	%	22.64	%	80.14	€
Sixth	30.31	%	39.41	%	30.28	%	72.58	€
Seventh	28.24	%	43.34	%	28.42	%	51.82	€
Eight	23.31	%	44.44	%	32.25	%	49.93	€
Ninth	21.07	%	49.51	%	29.42	%	52.39	€
Tenth	20.39	%	55.38	%	24.24	%	52.83	€
Population	25.23	%	47.99	%	26.77	%	107.36	€

Source:

own calculations. Note: Powered by Mefisto (EUROMOD).

The data in these tables show that the child UBI reform as outlined complies with all evaluation criteria. With the help of the MEFISTO micro-simulation program for Belgium, it can be confirmed that with the same amount of money, the UBI UCG program is more successful than the current targeted and means-tested system in lowering the child poverty rate.

It might be asked why UBI lowered relative poverty for children despite the conclusion that UBI is not always the best tool to lower relative poverty in developed countries. This is because of the already established fact that UBI brings those with the lowest income closer to the poverty line. As we saw in Fig. 2, the poverty rate for children in Belgium is above the poverty rate for the population in general. The proposed UBI UCG therefore lowers child poverty rates by making their income bigger relative to the income of the rest of the population.

17

The second potential problem has already been acknowledged, i.e. that children might gain at the expense of some other low-income groups. However, this difference should be small, since this proposal makes very little difference in the Gini coefficient; after UBI, Gini is lower by only 0.03. Nevertheless, this does reinforce the fact that even budget neutral proposals such as this one would demand a careful and sensible political approach at implementation to achieve public support and avoid resentment among different low-income groups. To avoid potential conflict among low-income groups, the simplest approach is to introduce UBI for all at the same time. However, this could result in resentment from higher income groups. Therefore, whichever way implementation is carried out, a carefully planned and sensible process will be needed.

Conclusions

In three studies, Korošec (2010), OECD (2017) and IMF (2017), the number of variables within the puzzle which is called the current social security system was reduced one by one. First of all, this was done through the prerequisite of budget neutrality, secondly the prerequisite that the main features of the old system should remain the same (for example, the Social Contribution System and Progressive Taxation System) and thirdly that the UBI level should be at the same level or slightly higher than that of previous systems thus ensuring the security of a minimum income (i.e. providing a GMI). In all three studies, the current social system in the developed world was shown to be close to a universal system already providing some minimum of income for almost all, with some exceptions which might be seen as some kind of system errors. Micro-simulations looked at whether the same amount of money intended for 'the same' people (as identical type of people and even identical with majority of people who are recipients of the current system as part of the people with the lowest income in society) in existing systems could be more efficiently redistributed via an unconditional rather than a conditional system. All three micro-simulations proved that a universal system is a better one in regard to income redistribution bringing the most disadvantaged closer to the poverty line and lowering Gini coefficient.

This is even more explicitly true if we examine the question of the effectiveness of an universal unconditional system on the sub-population of children. This paper reports on a micro-simulation done using the example of a children's UBI in Belgium, and confirms that in developed countries such as Belgium, the UBI approach is better at addressing child poverty than current means-tested programs. Indeed, the results seem to favour the maxim: 'the simple the better'.

The primary reason for this is that benefit systems in the post-modern era are so complex and require so much administrative effort that it is unlikely that any country in the world could live up to their demands. Secondly, the old system of social security in developed countries is such a complex mosaic of ideas and approaches applied through time that even its designers do not understand its inner contradictions anymore. There is also potentially a third explanatory perspective. After the Second World War, the 'norm' of socially valuable work was industrial work. This 'simplified' world of industrial work (under)valued and (under)paid other forms of socially valuable work done outside of industry, and in so doing, created the need for complex and multi-layered benefit systems. The opposite approach may now be required: the complex world of post-modern work requires a simple social security system. As a result of the recent IMF and OECD studies and the ideas conveyed on universal child grants at the UN and ILO conferences, it may be that world-wide understanding of this is finally coming into focus.

This paper indicates that the question of UBI affordability is solved, at least for developed countries on the level just above current GMI. The logic, numbers and micro-simulations show that UBI is not only affordable and simpler than the current means-tested system, but also more effective. None the less, there are still many issues requiring clarification. For instance, there are a number of questions about how to implement UBI: who will be responsible its design; is it going to be uniform world-wide; will it be implemented step by step for all the subgroups of the population or in a single process? And despite the mounting evidence in favour of UBI, the biggest problem remains, how to achieve public support for its implementation.

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