

## COLOMBIA

# Scant guarantees



Changes have been made to social protection that involve privatizing the health and pension systems and breaking up social benefits programmes into a series of separate initiatives focused on specific population groups. Access to social security increasingly depends on the ability to pay, which goes against its whole legal basis and violates the principle of citizen equality.

Escuela Nacional Sindical  
Corporación Región<sup>1</sup>

In 1990 Colombia adopted a new economic model in which free market flows were seen as the engine that would drive development, and on this basis a series of structural changes were made to the country's regulations and institutions.

The social protection system now operates in line with this philosophy. It consists of two main components: the integrated social security system (health, pensions, work risk insurance), and the social assistance system (benefits and support in food or in money). The laws governing both systems allow private agents to operate in the spheres of health and pension administration. Alongside this, a subsidized public health care scheme has been created.

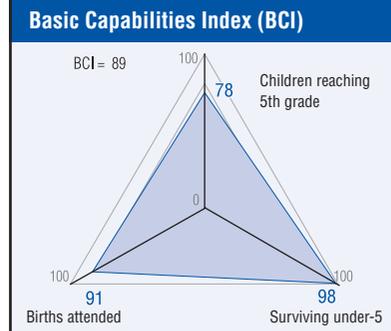
### Access to social security is conditioned by the market

Private pension funds based on the principle of individual accounts have been set up, but the previous system, based on defined benefits and the public administration of resources, has been retained. In the health care sector, the insurance system was changed to allow private sector participation, while the state discontinued financing for the hospital system (i.e. subsidizing the supply of service) and instead grants subsidies to the poor to pay for health care. Hospitals and other health providers now have to finance themselves by charging for services.

Over the years, legislative changes to promote a free market system have tended to restrict rather than to widen access to health care. In 2001, a constitutional reform was made to the system of transfers,<sup>2</sup> and this gave rise to the current general system of competition in participation and distribution. The main changes in the social protection system have been: the conception, management and institutional

1 Héctor Vásquez Fernández, José Fernando Gutiérrez, Rubén Fernández and Antonio Javier Jaramillo participated in preparing this report.

2 On average, transfers amount to 67% of departmental budgets and 46% of district and municipal budgets (except Bogotá) and constitute the main source of funding for social expenditure; 53% goes on education, 23.5% on health, 10% on basic sanitation services and the remaining 13.5% on nutrition, senior citizens' and employment promotion programmes. Since 2002, these transfers have been falling as a percentage of GDP.



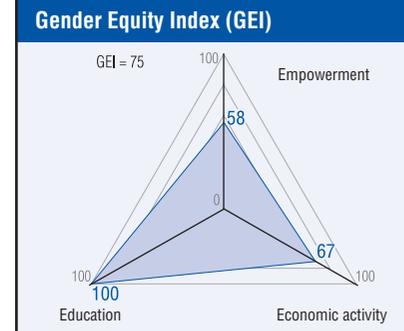
organization of social policy; the adjustment of the labour market to the new trends, with the aim of reducing the country's pension liabilities; a reprise of a social assistance system; and the creation of the Social Protection System (SPS).

This new conception of social policy is based on the latest proposals from the World Bank about the theory of social risk management. The argument is that the SPS can assist individuals and communities to adequately manage social risk and coordinate economic development and protection for the most vulnerable sectors of society and for those living in extreme poverty (Rodríguez, 2006).

In January 2007 the government promulgated Law 1122, which does not alter the privileged position of private service providers. The changes that have been introduced still shift responsibility to contributors and regional bodies, which now have to allocate greater resources to try to extend the coverage of the benefits regime because the national government's proportion is reduced. Besides this, people between 19 and 24 years old who are single, unemployed and not students are excluded from the regime, as are population sectors in level 3 of the System for the Selection of Beneficiaries of Social Subsidies (SISBEN).<sup>3</sup>

To make matters worse, Congress has definitively separated the general contributions system from current state revenues, which means cutbacks for regional bodies that amount to COP 52 billion (USD 27 million) over the next 11 years in the areas

3 Level 3 of the SISBEN includes people with family income that corresponds to three basic food baskets, which is equivalent to one minimum salary per month per family. According to the national average established in a PROFAMILIA survey, the average family consists of 4.1 persons.



of education, health, basic sanitation, nutrition programmes and care for the elderly.

### Fragmentation of social assistance

President Álvaro Uribe's first government failed to reach the social security and protection goals set in its development plan for 2002-2006 entitled "Towards a Community State". This impeded moves to assist and resettle the population groups that have been displaced by the armed conflict, to establish a system of minimum charges for health services and to achieve universal health care coverage. At present, in the government's second term, it aims to complete the task, and this includes bringing seven million Colombians into the subsidized health regime and incorporating 300 hospitals into the Modernization and Restructuring Programme.

One of the mechanisms for this is the Network of Social Protection Against Extreme Poverty. In 2006 the Uribe government proclaimed that in its second term it would extend coverage to 1.5 million families (some 7.4 million people) in extreme poverty through public assistance programmes (CONPES, 2006). The new social management model incorporates monitoring by social management bodies (including the army, local authorities, church groups and NGOs) that will be required to collect and systematize information about the beneficiaries, draw up a 'Life Plan' for each and every family, and monitor progress to ensure that the state honours its obligations in this area.

### Economic growth without job creation

In its first development plan, the Uribe government set the goal of creating 2.2 million new jobs in four years. This target was based on the belief that

economic recovery and labour legislation reform would have a positive impact on employment. The aims of the reform were to “establish regulations to promote job creation and widen social protection.” But what actually happened was that the extra 35% paid for night work between 6.00 pm and 10.00 pm was abolished, pay for work on Sundays and bank holidays was cut by 25%, and the rates of indemnity for dismissal without just cause were halved.

This reform was promulgated when the country was barely beginning to recover from the worst economic recession in its history, during which the economic growth rate fell by more than four percentage points and unemployment soared to around 20%. It was implemented at a time of extraordinary global economic growth and unprecedented rises in the prices of Colombia’s main export products.

Also, massive emigration during this period increased the flow of remittances, which underwent a fivefold increase between 1996 and 2005, and since 2004 have been the country’s third biggest source of foreign currency, after oil and coal exports (Khou-dour-Cásteras, 2006).

These indicators go a long way towards explaining why more jobs were created and why the GDP growth rate has risen. This is evident in Table 1, where it can be seen that in the first four years the employment rate increased and unemployment fell.

However, four years after this reform was first implemented and with the economic growth rate at around 7%, not only has employment fallen a long way short of the targets in the development plan, it has not even risen to the levels that prevailed before the 1999 crisis.<sup>4</sup>

### Lack of decent work and social protection

*Precarious employment.* Employment has become more precarious in recent years in terms of duration, income, and respect for rights. However, the proportion of workers who are members of unemployment insurance funds (21%) and family benefit funds (27.5%) is indicative of a certain level of labour stability.

*Limited access to social security.* Although health, work risk and pension coverage is guaranteed to all workers by law, only 40.7% of people who work belong to the health regime, only 32% are covered against work risks, and only 26% are in pension schemes. All other workers have no social protection, and they have to prove they are poor to qualify for SISBEN health coverage, or pay for social security on their own account.

*Lack of trade union freedom and social dialogue.* In Colombia, trade unions are subject to systematic violence (in the last 20 years more than 2,500 union representatives and members have been murdered); government and business elites have an anti-union culture (President Uribe regards labour rights as “privileges”); trade unions have to rely on clandestine funding; and the labour code is obsolete, it does not include international ILO conventions and it only applies to workers with employment contracts.

4 In 2006, GDP increased by 6.8%, employment fell by 4 points, unemployment went up by more than a point, and underemployment by 4.5 points.

**TABLE 1. Labour market indicators**

	2002	2003	2004	2005	2006	2007
Economic (GDP) growth rate	1.9	3.9	4.9	4.7	6.8	
Employment rate	52.8	54.8	53.4	54.6	50.3	49.6
Unemployment rate	15.1	13.1	12.1	10.2	11.4	12.8
Underemployment rate	33.1	33	31.4	31.6	36.1	
Employment rate for men	65.9	67.6	67.3	68.2	64.9	
Employment rate for women	41.0	43.4	40.7	42.4	37.4	
Unemployment rate for men	12.4	10.2	9.01	7.8	8.9	
Unemployment rate for women	18.7	16.8	16.2	13.5	14.9	
Informal work	61.3	60.6	58.6	58.7	58.5	
Employed population	17,065,785	18,092,892	18,004,879	10,804,843	17,667,878	

Source: Compiled by the author based on DANE quarterly labour market data. See: <www.dane.gov.co>.

All these factors explain why less than 5% of working people belong to a union, less than 400 collective labour agreements are established each year (while the Company Superintendent’s office reports financial information on more than 3,000 enterprises per year), and less than 1% of the working population has the benefit of collective agreements.

*A weak state, a business culture of illegality.* A great many business owners do not comply with their legal obligations, and the state fails to fulfil its responsibility to carry out inspections. Colombia ratified ILO Conventions 81 (in 1947) and 129 (in 1969) relating to labour inspections, but it excluded inspections in the area of trade, which is one of the sectors where the enforcement of workers’ rights is most problematic. What is more, as the Ministry of Social Protection itself has reported,<sup>5</sup> there are far too few labour inspectors to cope with the widespread problems of illegal work and evasion, and this is a clear violation of what is laid down in Convention 81.

### Conclusion

In recent years there has been an improvement in some indicators, in particular as regards access to social security. Trade union action and censure of the Colombian government by international bodies has pressured it to adopt a tougher stance with respect to employers’ obligations, which include registering their employees for social security and family benefit funds, and paying the due contributions.

Fourteen years after the law to reform the social security system and promote universal protection came into force (Law 100 of 1993), barely 62% of the population has health coverage. The pension situation today is no better than it was in 1993, with a coverage rate of only 28%. The number of people insured against work risks has not increased because the informal sector is still excluded. However, the system as it stands today has made some

‘progress’, such as the introduction of the subsidized regime registration card, which gives the vulnerable population a feeling of belonging, and any attempt to interfere with membership is firmly rejected by the people affected. ■

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5 As the National Trade Union School directly verified (30 September 2004), the failure of many employers to comply with labour standards has reached such a point that just one office (the Antioquia Regional Labour Office) received 69,000 individual complaints in one year, of which 45,000 were verbal, 24,000 written, and another 700 were collective complaints submitted by trade union organizations.