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Excerpt

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From Special Privilege to Social Rights

Universalism in Social Policy

On March 11, 2008, Chile's Socialist President Michelle Bachelet (2006–2010) signed an important piece of legislation into law. Law 20.255 reformed the country's pension system, introducing a solidaristic pillar that guaranteed a state-funded minimum or supplementary pension to the bottom 60 percent of income earners. The new law represented one of the most significant advancements in recent history for the social rights of Chile's low-income workers, rural sector inhabitants, and women, granting them access to a basic minimum income in their old age. Moreover, the reform was fully funded, ensuring that the state could maintain the commitment for years to come. Indeed, as President Bachelet put it herself, "The truth is that it would have been easy to engage in populist politics at the cost of the dreams of our seniors. We, however, did not fall victim to this temptation. We opted, instead, to *guarantee social rights*" (Biblioteca del Congreso Nacional de Chile 2008, 3362, italics and translation by author). Although Chile was able to integrate greater universalism into the pension system, the same was not true for family assistance and education policy, where reforms enacted during the 1990s and early 2000s did little to eliminate existing inequalities.

During this same time period, just over the Cordillera de los Andes, Uruguayan President Tabaré Vázquez (2005–2010) was also engaged in a sweeping effort to reconfigure that country's social protection system. After just two years in office, the Frente Amplio (FA) administration had passed a wide-reaching health care reform that expanded coverage among children and strengthened the public sector. The left/center-left government also unified Uruguay's family allowance system, equalizing the benefits for formal and informal sector workers and providing income support to the bottom half of the income distribution. Still, the first Frente Amplio administration finished its term in office without having made a significant change to education policy.

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The Chilean and Uruguayan reforms marked a new direction in social policy, placing an emphasis on universalism and on the provision of benefits as a right of citizenship. This focus, however, was not integral to the policy initiatives carried out by all of Latin America's left-leaning governments during the early 2000s. Indeed, in 2003, Venezuela's leftist president, Hugo Chávez (1999–present), began to construct an entirely new social welfare system alongside the existing state infrastructure. Chávez's initiatives, known as the Bolivarian missions, aimed at improving access to select education and health services as well as providing targeted income transfers, but the initiatives did not generally represent a move toward universalism in social protection. Similarly, in Argentina, the Peronist Party (PJ) administrations of President Néstor Kirchner (2003–2007) and President Cristina Fernández de Kirchner (2007–present) enacted some reforms that moved toward greater universalism, such as the 2008 nationalization of the pension system and the 2009 universal child allowance, but the initiatives lacked a stable funding source and the country's progress was generally slower than that seen in Chile and Uruguay.

The events in Argentina, Chile, Uruguay, and Venezuela underscore several puzzling questions. First, why did these four countries – all headed by parties of the left/center-left,¹ with similar levels of development, democratic politics, and high exposure to international markets – pursue different reforms? Why did President Bachelet choose to maintain a private pension system, but add to it a citizenship-based flat-rate benefit, whereas Argentina opted to return to a state-run contributory system? Why did Chile create a new pension system, but leave family assistance virtually untouched? Why did Uruguay's FA successfully reform health care and family assistance programs, but fail with regard to education policy? More broadly, what does this series of reforms suggest about Latin America's left-leaning political parties and the ability of the “left turn” to produce meaningful changes in poverty and inequality?²

¹ I recognize that Venezuela's Socialist Party (PSUV) is located significantly further to the left than Chile's *Concertación* parties or the FA, but differentiating between left, center-left, center, center-right, and right would create an unwieldy typology with sixteen separate categories. Therefore, I choose to combine all left-leaning parties into one category of left/center-left and all right-leaning parties into a similar category of right/center-right. I also realize that categorizing the PJ as a left/center-left organization is controversial because the party includes some right-wing politicians and supporters. Although it is true that the party's ideology has fluctuated across time, many scholars have classified the PJ as left/center-left during the Kirchner years. For examples of such work, see: Levitsky and Murillo (2008); Huber and Stephens (2012); Niedzwiecki (2010); Levitsky and Roberts (2011); Etchemendy and Garay (2011); Schipani (2012); and Ostiguy (2009). I discuss the classification of the PJ in greater depth in Chapter 7.

² The “left turn” refers to the first decade of the twenty-first century, when ten Latin American states elected left-leaning executives. These countries were: Argentina (2003, 2007, and 2011), Brazil (2002, 2006, and 2010), Bolivia (2005 and 2009), Chile (2000 and 2006), Ecuador (2006 and 2009), El Salvador (2009), Nicaragua (2006), Paraguay (2008), Uruguay (2004 and 2010), and Venezuela (1998, 2000, and 2006).

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This book seeks to answer these questions, presenting a new theory about the role of policy legacies, electoral competition, and political parties in shaping social welfare policies. In particular, I argue that policy legacies influence social policy reform by structuring the kinds of policy adjustments that are needed, and by empowering some organizations while weakening others. In addition, I contend that electoral competition influences reform initiatives because parties that face a strong opposition are more likely to engage in universalistic reforms. Finally, I find evidence that the character of political parties, which I define as the combination of ideology, internal organization, and external linkage mechanism, has a profound effect on the nature of social policy reform. In particular, I find that two types of left/center-left parties, those which I identify as electoral-professional and constituency-coordinating, have made progress toward universalism in social policy, while a third type, which I classify as non-programmatic-electoral, has enjoyed less success.³ Thus, the theoretical framework developed in Chapter 2 sheds light on the question of why parties with a similar ideological orientation sometimes pursue different social policy reforms and what such variation means for the ability of Latin American states to build sustainable and equitable systems of social protection. It, therefore, contributes a new perspective that builds on and refines extant theories of welfare state development. The book also contributes to the growing literature on Latin America's left turn, presenting a new classification of parties that helps explain the high levels of heterogeneity among the region's left-leaning governments.

Equitable and Sustainable Social Policy: Latin America's Dilemma

The goal of building equitable and sustainable social policies is a challenge faced by countries around the world. While most states provide some form of social protection, the way such programs are financed, designed, and administered varies significantly and these differences have consequences for the well-being of individuals and families. By the mid-to-late twentieth century, a handful of Latin American countries had developed advanced social protection systems rooted in the Bismarckian social insurance tradition (Huber 1996; Pribble 2011; Dion 2010; Filgueira and Filgueira 1997; Haggard and Kaufman 2008). In these countries, social expenditure constituted a sizable share of state outlays, but a large portion of the population remained excluded from the programs. Moreover, the quality of social services and the size of transfer payments in Latin America's advanced social protection states remained, for the most part, highly stratified across income and occupational categories, deepening inequality in the region. This is likely because Latin American social protection generally developed in a manner that favored the urban middle and working classes (Haggard and Kaufman 2008, 79–113).

³ These party types are discussed in detail in Chapter 2.

The inability of Latin America's advanced social protection systems to provide adequate coverage and reduce inequality results from a mismatch between the structure of the region's labor market and the design of social policy. In advanced industrialized democracies, welfare regimes grounded in the Bismarckian tradition of contributory social insurance have been effective at protecting the bulk of the population, albeit in a more inegalitarian manner than in the Nordic regimes (Esping-Andersen 1990; Huber and Stephens 2001). In Latin America, however, where a large share of the population works outside the formal labor market, such systems inevitably generate coverage gaps and exacerbate inequality. The presence of informal workers has historic roots in the region, but this sector has grown precipitously since the decline of import substitution industrialization (ISI), and by the late 1990s, anywhere from 30 percent to 40 percent of workers in Latin America's advanced social protection states operated in the informal sector (Portes and Hoffman 2003, 52). Because informal-sector workers do not pay payroll taxes, they lack access to contributory-based benefits such as pensions, family allowances, and health insurance. Furthermore, because salaries in the informal sector are on average lower, and the employment more precarious, it is precisely the poorest sectors of society that are excluded from such programs, thus widening the divide between rich and poor.

This disconnect between the socio-structural reality of Latin America's labor market, namely that it is characterized by a large informal sector, and the design of social protection systems, which are based on formal employment, created a paradoxical situation for the region's advanced social protection states at the turn of the twenty-first century: while the countries were heavily invested in social programs, the very neediest sectors of society were often excluded from policies.⁴ Figure 1.1 presents the difference in levels of pension coverage between the top and bottom income quintiles among the economically active population in Argentina, Chile, Uruguay, and Venezuela.⁵ As illustrated by the figure, low-income workers affiliate with the pension systems in these countries at a much lower rate than workers in the top income quintile. Moreover, the figure reveals that this coverage gap grew between 1992 and 2006. A similar trend is evident in Figure 1.2, which depicts the difference in levels of pension coverage between the top and bottom income quintiles among the elderly population during the 1990s and 2000s.⁶ With the exception of Uruguay, this

⁴ Esping-Andersen (2002) and Filgueira (2006) both make a similar diagnosis about the disjuncture between new risk structures and old social welfare architecture.

⁵ The data used to calculate the difference are taken from Rofman, Lucchetti, and Ourens (2008, 32–119). High values represent a large coverage gap, whereas small values signify that coverage is relatively similar between the upper and lower income quintiles.

⁶ In both Figures 1.1 and 1.2, I dropped the observation for Venezuela in 2001 because of concern that the figure was incorrect. Reported coverage of pensions among the elderly population in the bottom income quintile increased by fifteen percentage points in 2001 and then fell by sixteen points in 2002 (Rofman, Lucchetti, and Ourens 2008, 117).

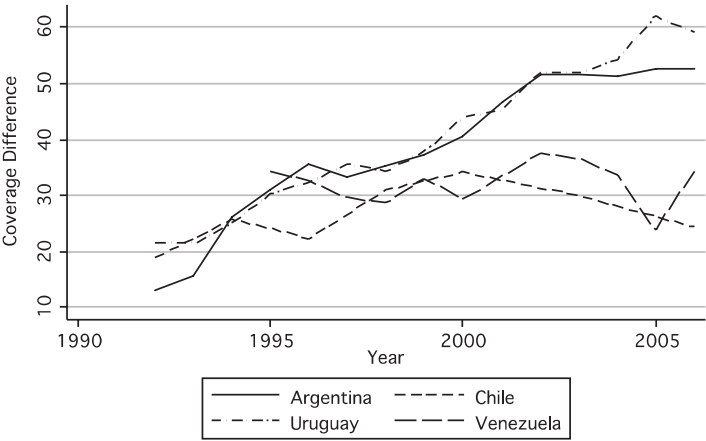


FIGURE 1.1. Difference between Top and Bottom Income Quintiles' Pension Coverage (Economically Active Population). *Source:* Author's calculation based on data from Rofman, Lucchetti, and Ourens (2008).

difference was generally greater than twenty percentage points and increased steadily throughout the 1990s and 2000s.

The fact that pension coverage among the poorest workers and senior citizens was anywhere from ten to sixty points lower than that of the top income quintile provides evidence of the inability of Latin America's social protection systems to adequately reach excluded sectors. By the late 1990s, a confluence of factors, including growing electoral pressure, international attention, and improved economic growth, facilitated a series of social policy reforms aimed

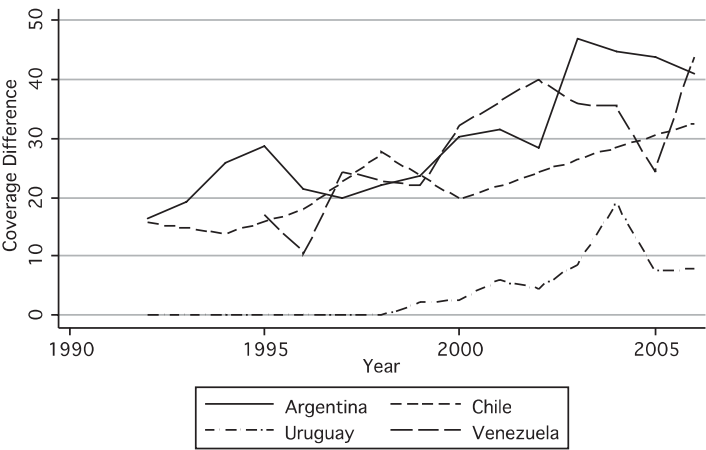


FIGURE 1.2. Difference between Top and Bottom Income Quintiles' Pension Coverage (Elderly Population). *Source:* Author's calculation based on data from Rofman, Lucchetti, and Ourens (2008).

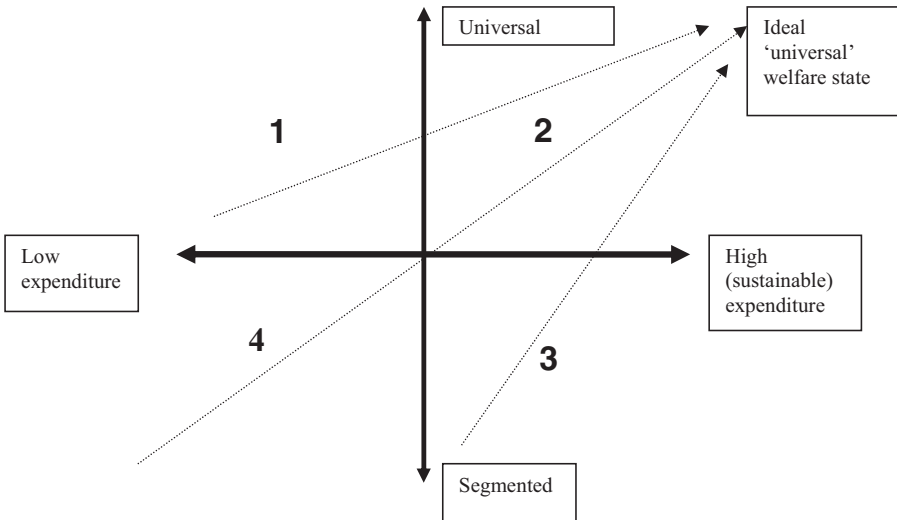


FIGURE 1.3. Categories of Social Protection.

at expanding coverage and reducing the stratification of benefits. The drive toward such reforms, however, has been a difficult one, as policy makers face a significant challenge: how to expand coverage and improve quality in a fiscally sustainable manner. Achieving this goal often involves reallocating existing expenditure in addition to increasing spending – a politically charged task.

Figure 1.3 provides a visual account of the political dilemma faced by Latin America’s advanced social protection states. In the figure, the x-axis represents the levels of spending on social welfare programs, ranging from limited funding to high but sustainable spending. The y-axis represents the nature of benefits, ranging from segmented (with only small sectors receiving highly unequal benefits) to universal access and benefit levels. Using this typology, I identify four basic types of welfare provision: (1) underfunded but semi-universal systems; (2) high and sustainable funding and universal to semi-universal systems; (3) highly funded but segmented systems; and (4) low-spending and segmented systems. By the end of the twentieth century, Latin America’s advanced social protection states would have been located somewhere in quadrants three or four, and therefore faced one of two challenges: (1) to expand spending and universalism (moving from quadrant four to quadrant two) or (2) to reform the allocation of funds in order to increase universalism (moving from quadrant three to quadrant two).

Clearly these two processes involve very different political calculations. Still, a general puzzle arises: what are the factors that explain a country’s decision to move toward a more universal system of social protection? This book explores this question through a comparative analysis of Chile and Uruguay with a secondary focus on Argentina and Venezuela, concluding that the design of

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previous policies, electoral competition, and the character of political parties influenced social policy reforms in all four countries.

The issue of why some Latin American states have been more successful than others at reforming social protection systems in a manner that expands the coverage and quality of benefits for *all* citizens has not been fully explored by scholars of comparative politics. Indeed, extant research has generally focused on the determinants of spending levels (Huber, Mustillo, and Stephens 2008; Segura-Ubiergo 2007; Kaufman and Segura-Ubiergo 2001), the historical origins of policies (Segura-Ubiergo 2007; Haggard and Kaufman 2008; Dion 2010; Pribble 2011; Huber 1996; Filgueira 2005; Martínez Franzoni and Sánchez-Ancochea 2012), and the determinants of liberalizing reforms during the 1980s and 1990s (Dion 2010; Castiglioni 2005a; Weyland 1996; Kaufman and Nelson 2004a; Brooks 2009; Madrid 2003; Nelson 1999; Grindle 2004a). Beginning in the late 1990s and early 2000s, Latin American states began to expand social expenditures, but the character of these new policy initiatives varied across countries and across policy sectors, and very little scholarship has contemplated the question of why such divergence exists.⁷ In particular, the issue of why some countries have moved their social protection systems in the direction of greater universalism, whereas others have carried out reforms that deepen segmentation, has not been fully explored. This question is pressing in both political and practical terms, as it provides insight into the potential paths that lead to more universal social policy, which is crucial for reducing poverty and addressing Latin America's high levels of income inequality.

Defining Universalism in Latin America

Studies of social welfare policy often use spending levels as a proxy for the relative size and strength of social protection programs. General expenditure figures, however, are misleading in the Latin American context because they do not permit an analysis of who receives benefits and of stratification in the quality of services and generosity of transfers. Moreover, while state expenditure is a crucial component of social protection, other aspects of public policy, namely regulatory standards and the design of financing mechanisms, also have important implications for the universality and quality of welfare policies.

Clearly, then, an analysis concerned with the ability of Latin American states to build more inclusive and universal social protection systems cannot rely solely on expenditure data. For this reason, this book develops and analyzes a new dependent variable: universalism. Universalism refers to social policies that guarantee coverage for a set of essential social services (preschool, primary, and secondary education as well as health care) and ensure a basic minimum income during the working years and after exiting the labor market because

⁷ Research that does consider this period includes: Castiglioni (2010); Dion (2010); Huber and Stephens (2012); and Ewig and Kay (2011).

of old age, sickness, or unemployment.⁸ In this way, the concept of universalism recognizes the important role of state-provided social spending, but is simultaneously concerned with the question of whether this spending reaches marginalized populations. The concept builds on and expands the notion of basic universalism, which Filgueira et al. (2006) define as a system of social protection that guarantees coverage for all citizens for a group of essential services and transfers. In such a system, the state plays a central role in the provision of benefits, but also in ensuring that all individuals can access and effectively use the services and transfers. Examples of basic universal welfare policies include a flat-rate citizenship pension, a guaranteed minimum citizenship income, a public preschool system, and state guarantees to cover a group of health risks (Filgueira et al. 2006, 40–55). My definition of universalism goes one step further, contemplating to what extent social policies improve the quality of services and the size of transfer payments, as well as whether the financing of such programs is fiscally sustainable.

To assess the character of social policy reforms in Argentina, Chile, Uruguay, and Venezuela, I evaluate policies along four dimensions: (1) To what extent does the new policy universalize coverage? (2) To what extent are policies administered in a transparent (rather than discretionary) manner? (3) To what extent do policies ensure quality public services or reduce segmentation in the size of income transfers? (4) To what extent is the financing mechanism equitable and sustainable? Using these dimensions, I rank each social policy reform as “pure universalism,” “advanced universalism,” “moderate universalism,” “weak universalism,” “neutral,” “regressive,” or “failed reform.”

This conceptualization differs from existing definitions of universalism, which are rooted in the experience of advanced industrialized democracies. In that context, a universal system is one in which all citizens have access to social services of a similarly high quality and receive generous income transfers. In the context of contemporary Latin America, the consolidation of such a welfare state is highly unlikely in the short-to-medium term. Still, some countries in the region have begun to create programs that expand coverage, equalize benefit levels, and narrow the gap in the quality of public services. Additionally, some states have started to ensure that access to benefits is defined in legal terms, avoiding political manipulation, and a handful of states have taken great care to construct a sustainable funding source for new policies. I contend that such progress constitutes a move toward universalism and warrants investigation, and therefore, I create a measure that allows for an assessment of degrees of progress. Whereas a binary conceptualization of universalism would reveal no variation across Latin America, my measure provides insight into important differences that exist between states in the region with regard

⁸ Other policies such as public provision of family planning, water, sanitation, and electricity are also of great importance to low-income families. Because of space constraints, I choose to focus on the traditional areas of welfare state policy.

to the design of recent social policy reforms. Thus, although different from the traditional understanding of universalism, this measure is useful. Moreover, the dimensions identified in the measure provide insight into the fundamental question of whether or not all citizens receive relatively equal welfare benefits. Indeed, if a country provides quality public services and income transfers that are of a similar size to 100 percent of the population, then it seems safe to call the welfare state universal, regardless of whether or not the system is unified. I also include a dimension related to the administration of benefits and to the sustainability of funding because historically in Latin America, clientelism and boom-bust spending cycles have undermined the ability of states to guarantee a minimum level of social protection.

Using this new measure, reforms that achieve “pure universalism” are characterized by 100 percent coverage and benefits that are granted in a transparent manner. The policy initiatives promote similarly sized transfer payments and quality public services. Finally, the programs are financed in an equitable and sustainable manner. None of the countries included in this study achieved “pure universalism,” but Chile and Uruguay both carried out “advanced” reforms in the domains of health care and noncontributory social assistance. “Advanced” reforms increase coverage, ensuring access for at least the bottom 50 percent of the income distribution, and they administer benefits in a legally defined and transparent manner so as to minimize political manipulation. Moreover, “advanced” reforms include mechanisms aimed at standardizing the size of transfer payments and the quality of social services, but often fall short of obtaining full equality because of low levels of spending. These funding constraints are generated by the fact that the financial base of “advanced” reforms, while more equitable and sustainable than in previous periods, remains imperfect. The third category of reforms exhibits improvement on three dimensions of the measure but fails to make progress on one dimension. Argentina’s 2006 education reform falls into this “moderate” category. The fourth type of social policy reform is classified as “weak universalism,” which means the reform advanced on two of the four dimensions of universalism. Several of Argentina’s initiatives during the early 2000s are classified as “weak,” as is the 1995 Chilean education reform, which increased coverage but failed to ensure a quality education for all children and exacerbated the equity of financing. The fifth category of the dependent variable is “neutral” and describes initiatives that failed to produce any substantial change in at least three of the four dimensions of universalism. Venezuela carried out four neutral reforms to social assistance policy during the early 2000s, administering services in a transparent manner but failing to improve coverage, transfer size, and funding sustainability. Finally, “regressive reforms” are those that exacerbate problems of coverage, inequality, and financing, while “failed reform” occurs in systems in which no change was enacted. Argentina’s health and pension reforms during the administration of President Carlos Menem (1989–1999) are examples of regressive reforms because they decreased coverage and increased benefit

segmentation. An example of failed reform was also witnessed in Argentina, where President Menem was unable to alter the country's health care system for retirees. Chapters 3, 4, 5, and 7 present an in-depth discussion of my coding of education, health, and noncontributory social assistance reforms in Argentina, Chile, Uruguay, and Venezuela, but the standards that I use for scoring the legislation are summarized in Table 1.1.

Before advancing further, it is important to clearly define the four dimensions of this measure of universalism. In the context of advanced industrialized democracies, universalism is associated with the Nordic welfare regimes and is defined as a system that provides generous benefits to all citizens, regardless of income, labor market status, or sex. In these universalistic welfare states, benefits are coupled with high tax rates, and therefore, the transfers and services consumed by high-income earners are recovered by the state through income taxes. In Latin America, by contrast, tax systems are notoriously weak, and therefore, the process of "universalism" cannot be expected to work in an identical manner. For this reason, I contend that social policy reforms that provide automatic access to benefits (without discretionary criteria) to at least the bottom 50 percent of the income distribution should be considered as moving in a universal direction (advanced universalism). Thus, the further a state moves past 50 percent coverage, the stronger the trend toward universalism. Still, it is important to consider not only how broad coverage is, but also *how* that coverage is obtained, namely what criteria are used to identify beneficiaries. This is because in universal welfare states, benefits are granted as a legally defined right, which eliminates the possibility of using political criteria to favor some individuals and exclude others. Thus, I contend that in order for a state to qualify as having "advanced universalism," benefits must cover at least the bottom 50 percent of the income distribution and that access must be based on transparent and clearly defined criteria, not discretionary factors such as political favoritism.

This measure of universalism also considers whether policies improve the quality of social services and the size of income transfers. In this way, I contend that policies should be considered fully universal if they guarantee that: (1) individuals using the public health system receive quality care for a set of fundamental services, (2) that children enrolled in public education receive quality schooling, and (3) that noncontributory transfer payments are generous, thereby reducing benefit segmentation between formal and informal sector workers.⁹ This study also considers whether the financing of social programs is equitable, namely whether it eases the burden on the poorest sectors of society, and if the funding is sustainable. By sustainable financing, I refer to

⁹ Employees and employers pay into the contributory system, so it stands to reason that those benefits will be larger than noncontributory income transfers, which are financed through general revenue. Still, the size of this gap can be narrowed if the state invests heavily in the noncontributory system.