

# **LATIN AMERICAN SOCIAL POLICIES**

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The fall of the Keynesian paradigm and its replacement by (neo)liberalism has been the “Great Transformation” of the close of the second millennium. The broad intervention of the state in the economy and full employment as the central institutions of Keynesianism were replaced by privatization and deregulation of vast sectors of the economy, the reappearance of mass unemployment, and the rise of employment insecurity.

This phenomenon suggests that the complex structure of redistributive public policies that make up the social policy system, intimately connected with the rise and development of Keynesianism, suffered a significant process of dismantling, or at the very least retrenchment.

Latin American is a region in which the Keynesian model became quite developed. After the impact of the Great Depression in 1929, but particularly after World War II, the state insinuated itself forcefully into both the regulation of the economy and the process of production through the creation of a great many state enterprises. Besides, Latin American countries saw an expansion of social policies from the middle of the twentieth century on: the extension of public pension coverage, the development of health care programs within the social security system, the expansion of housing policy, and the development of public infrastructure in health and education.

On the other hand, drastic transformations were underway in the region, inspired by neoliberal thinking in the final decade of the twentieth century. From that period on, several economies functioned within the confines of a system characterized by the liberalization of international trade, deregulation of markets, and the transfer of public monopolies into private hands. This last point produced a profound restructuring of the state through the privatization of numerous state owned enterprises.

This major economic shift was accompanied by a profound transformation of the society itself. The “New Social Question,” that is, the phenomenon of **social exclusion**, expressed itself fundamentally in the form of a crisis of the formal sector and the end of the

Keynesian promise that eventually we would all have salaried formal employment and social security coverage. And although in most of Latin America, the ideal of salaried formal sector employment with social protection for all was not exactly on the horizon, the general process observed through the second half of the twentieth century had been headed in this direction.

The reversal of this tendency towards the end of the last century can be seen in the reality of high unemployment and under-employment, on the one hand, and employment insecurity on the other. These trends have been accompanied by high levels of poverty and an increasingly regressive distribution of income.

In the context of such a shift, this paper reveals that contrary to the general impression that social spending also contracted, not only did this not occur but as a proportion of GDP, social spending increased substantially.(Table 1) In the meanwhile, state spending on economic aims suffered a significant drop off, coinciding with a period of massive privatization of state owned enterprises and the deregulation of economic activity. (Table 2) In other words, though the society's general commitment to public involvement in the economy diminished, the relative effort invested in social spending not only did not fall off, but increased.

Having established that social spending came away unharmed by the Great Transformation, we now enter into the debate regarding what this means. It could be argued that even if social spending did not experience the expected retrenchment, there were still profound internal transformations that decisively modified its structure. Such a hypothesis would suggest that the current structure of social policy in Latin America is of a different species than that which existed until the 1990s.

In response to these concerns, we assess social spending from the perspective of the basic principles around which it is structured; that is, the principles of means-testing, contribution, and citizenship. This analysis reveals that the structure of the welfare state did not experience significant changes. On the contrary, the totality of social policies that we

find at the end of the period under study maintains the same basic relationship among the three components that it had at the outset. (Table 3)

To summarize, we can affirm that the Latin American welfare state did not suffer retrenchment in terms of percentage of GDP, neither it experienced no major structural changes. This paper does not set out to compare nor make judgments regarding the equity, efficiency, efficacy, or quality. It is limited to an analysis of the resources at its disposal and the evolution of the structure of those resources. Clearly, such an analysis is necessary in order to develop a broader view of the trajectory of social policy in Latin America, but is beyond the scope of this study.

The discussion in this paper leads us to form two central conclusions. First, the extraordinary resistance of the welfare state to change in spite of the deep transformation within society brought about by neoliberal policies suggests that, beyond the intentions of its proponents, the strength of those sectors that benefit from avoiding changes to the system, combined with the risk of losing legitimacy and political support for those hoping to limit the scope and cost of the system, are key factors for explaining the development of the welfare state in the last decades.

That is to say, the attempts to reduce the welfare state clash directly with the resistance generated by the processes of democratization and the need to keep from losing political legitimacy. In summary, the functioning of democracy, which did not impede the dismantling of the Keynesian state, proved to be a phenomenal antidote to the attempts at retrenchment of the welfare state.

The second conclusion is that this resilience on the part of the welfare state parallels its rigidity. The Latin American society experienced profound transformations in its structure like the retraction of the regulatory and productive capacity of the state, international opening and competition, and employment flexibility that transformed the labor market, causing increased unemployment, underemployment and precariousness, levels of poverty, and income inequality. Despite all these monumental changes, the welfare state adjusted in

a way that did not modify the “basic nature” that characterized it prior to these social transformations.

In large part, we have the same welfare state that we had in the past, which means the persistence of a welfare state that has not taken into account the current changes in social structure. It continues to be organized primarily so as to provide social security income to those who exit the labor force because of old age or illness, which is perfectly suited to a society with full employment but not to the current society in which the number of unemployed youth has reached alarming levels without any reflection in the priorities of public expenditure.

Also, as in those European countries identified in the Conservative-corporatist model in Esping-Andersen’s term, in our countries a model of social provision persists based on the notion of the male as primary “breadwinner,” while the woman produces outside the formal labor market. This concept does not take into account the fundamental changes in family composition which have resulted in an elevated level of female labor force participation and a substantial number of single-parent homes that, when headed by women, suffer a high level of economic vulnerability with only one source of earned income. The absence of a significant development in the provision of personal services (infant care, for example) enormously complicates the increased incorporation of women into the labor force; this is known as “New Social Risks,” which are not currently taken into consideration by the welfare state

There exist enormous difficulties that should be confronted by those who wish to adapt the welfare state to the contemporary reality. The collection of interests generated by the welfare state are quite powerful and the actors that benefit from it have more organizational strength and capacity for pressure than those who hope to bring the welfare state into sync with the needs of modern times. Of course, the conflict is political and cultural regarding a welfare state that has been as enduring as it is rigid.

Table 1

LATIN AMERICA (17 COUNTRIES): SOCIAL SPENDING AS % OF GNP					
Country	1990-1991	1992-1993	1994-1995	1996-1997	1998-1999
<b>Latin America</b>	<b>10.4</b>	<b>11.4</b>	<b>12.1</b>	<b>12.5</b>	<b>13.1</b>
Argentina	17.7	19.2	21.0	19.8	20.5
Bolivia	...	...	12.4	14.6	16.1
Brasil	18.1	17.7	20.0	19.7	21.0
Chile	13.0	13.6	13.6	14.4	16.0
Colombia	8.0	9.4	11.5	15.3	15.0
Costa Rica	15.7	15.3	16.0	17.0	16.8
El Salvador	...	...	3.3	3.8	4.3
Guatemala	3.4	4.1	4.1	4.2	6.2
Honduras	7.9	8.5	7.7	7.2	7.4
México	6.5	8.1	8.8	8.5	9.1
Nicaragua	10.8	10.6	12.6	11.0	12.7
Panamá	18.6	19.5	19.8	20.9	19.4
Paraguay	3.1	6.2	7.0	8.0	7.4
Perú	3.3	4.8	5.8	6.1	6.8
República Dominicana	4.3	5.9	6.1	6.0	6.6
Uruguay	16.8	18.9	20.3	20.9	22.8
Venezuela	9.0	8.9	7.6	8.3	8.6
Source: CEPAL (2004)					

Table 2

## Argentina: Public Expenditures 1980-2004

<b>OBJECTIVE / FUNCTION</b>	<b>1980-84</b>	<b>1985-99</b>	<b>1990-94</b>	<b>1995-99</b>	<b>2000-04</b>
<b>TOTAL SPENDING</b>	<b>28.19</b>	<b>32.13</b>	<b>31.27</b>	<b>31.73</b>	<b>31.44</b>
<b>I. STATE FUNCTION</b>	<b>4.62</b>	<b>4.98</b>	<b>5.85</b>	<b>6.08</b>	<b>5.88</b>
General Administration	1.60	2.22	3.01	3.13	2.87
Courts	0.28	0.43	0.64	0.79	0.84
Defense and Security	2.74	2.33	2.20	2.16	2.17
<b>II. PUBLIC SOCIAL SPENDING</b>	<b>12.93</b>	<b>16.83</b>	<b>19.85</b>	<b>20.58</b>	<b>20.29</b>
Education, science, and culture	2.73	3.57	3.84	4.42	4.57
Health	3.36	3.88	4.51	4.77	4.65
Potable water and sewage system	0.18	0.16	0.15	0.16	0.11
Housing and urban development	0.59	0.66	0.55	0.45	0.34
Development and Social Assistance	0.73	1.04	0.99	1.18	1.30
Social Security system	4.33	6.30	8.18	7.84	7.20
Employment	0.51	0.50	0.69	0.91	1.33
Other urban services	0.52	0.71	0.95	0.85	0.79
<b>III. SPENDING ON ECONOMIC SERVICES</b>	<b>6.73</b>	<b>7.46</b>	<b>3.64</b>	<b>2.38</b>	<b>2.01</b>
Primary production	0.35	0.39	0.27	0.31	0.31
Energy and fuel	2.81	2.55	1.32	0.43	0.35
Industry	0.42	0.31	0.14	0.08	0.06
Services	2.38	2.37	1.07	1.11	0.91
Other expenditure	0.75	1.85	0.83	0.45	0.39
<b>IV. PUBLIC DEBT SERVICE</b>	<b>3.91</b>	<b>2.86</b>	<b>1.93</b>	<b>2.68</b>	<b>3.26</b>

Table 3  
Structure of Social Spending by Principle 1980-2004  
(% of GDP)

OBJECTIVE/FUNCTION	1980-84	1985-89	1990-94	1995-99	2000-04
PUBLIC SOCIAL SPENDING	12.93	16.83	19.85	20.58	20.29
Other urban services	0.52	0.71	0.95	0.85	0.79
PRINCIPLE					
<b>Citizenship</b>					
Education, Culture, Science, and Technology	2.73	3.57	3.84	4.42	4.57
Public health spending	1.11	1.41	1.70	1.88	1.96
Potable water and sewage system	0.18	0.16	0.15	0.16	0.11
<b>Total</b>	<b>4.02</b>	<b>5.15</b>	<b>5.69</b>	<b>6.46</b>	<b>6.64</b>
<b>Contribution</b>					
Social Security health schemes	2.03	2.16	2.20	2.13	2.12
INSS and P - Healthcare	0.51	0.60	0.88	0.99	0.76
Pensions	4.33	6.30	8.18	7.84	7.20
Job training and unemployment insurance	0.02	0.02	0.10	0.27	0.78
Family allowances	0.49	0.49	0.59	0.64	0.55
<b>Total</b>	<b>7.38</b>	<b>9.56</b>	<b>11.94</b>	<b>11.88</b>	<b>11.41</b>
<b>Means Tested</b>					
Social assistance and development	0.43	0.75	0.72	0.94	1.11
Housing and urban development	0.59	0.66	0.55	0.45	0.34
<b>Total</b>	<b>1.02</b>	<b>1.41</b>	<b>1.27</b>	<b>1.39</b>	<b>1.45</b>