

Viewpoints

The Argentine welfare state: enduring and resisting change

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It is widely accepted that during the 1990s, the Argentine state experienced a general retrenchment. This article shows that, though this may have been true in the economic realm, this retrenchment did not take place in the diverse arenas of social policy. While privatisations and labour market flexibility dismantled the foundations of Keynesianism, the components of the welfare state experienced substantial growth. At the same time, the changes experienced by the welfare state in the past quarter century have not included a transformation of its basic principles, despite the profound changes experienced by Argentine society during this period.

Ernesto Aldo Isuani

University of Buenos Aires, Argentina

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Ernesto Aldo Isuani, Department of Social Sciences, University of Buenos Aires, Charcas 2556-2-11, Buenos Aires 1425, Argentina
E-mail: aldo@isuani.com

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Introduction

The fall of the Keynesian paradigm and its replacement by (neo)liberalism has been the new ‘Great Transformation’, in Karl Polanyi’s (1957) terms, 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 privatisation 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 welfare state, intimately connected with the rise and development of Keynesianism, suffered a significant process of dismantling, or at the very least retrenchment. In an earlier article Isuani (1991) distinguished between the concepts of welfare state and Keynesian state and laid out the reasons for predicting that the first would survive while the second would be dismantled. Fifteen years later, we are in a better position to evaluate that affirmation.¹

Argentina is one of the Latin American societies in which the Keynesian model became most developed.

After the impact of the Great Depression in 1929, but particularly after the first Peronist government 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. Argentina is also one of the Latin American countries that saw a major expansion of the welfare state from the middle of the 20th century onwards: the extension of public pension coverage, the development of healthcare programmes within the social security system, the expansion of housing policy, and the development of public infrastructure in health and education.

At the same time, drastic transformations were underway in Argentina, inspired by neoliberal thinking in the final decade of the 20th century, starting in 1991 under the Peronist government led by Carlos Menem. From that period on, the Argentine economy functioned within the confines of a system characterised by the liberalisation 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 privatisation of numerous state-owned enterprises.

This major economic shift was accompanied by a profound transformation of the society itself. The ‘New Social Question’, i.e. 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

¹ In recent years, there has been a broad debate in academic circles in developed countries involving those who maintain that, effectively, there was a profound modification in the welfare state after World War II. The discussion has also included those who affirm that this welfare state exhibited an extraordinary resistance to change (see Clarke, 2004; Gilbert, 2004; Pierson, 1994; Taylor-Gooby, 2004).

coverage. And despite the fact that, 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 20th 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 article traces the processes of change by examining central aspects of the Argentine welfare state in the last quarter century. First, it summarises the evolution of public spending in this period in order to have an idea of the changes that have taken place in the transition from Keynesianism to neoliberalism. This analysis reveals that state spending on economic aims suffered a significant drop-off, coinciding with a period of massive privatisation of state-owned enterprises and the deregulation of economic activity. But contrary to the general impression that social spending also contracted, not only did this not occur but, as a proportion of gross domestic product (GDP), social spending increased substantially. 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 actually increased. Only towards the end of the period under observation, after the crisis of 2001/2002, was there a break in this trend. In this way, and paradoxically, the reduction in public spending was the consequence not of the founding of the neoliberal model, but of the profound crisis that affected this model at the beginning of the 21st century.

One objection that could be raised regarding this conclusion is that even if social spending did not decline, when measured as a percentage of GDP, its 'purchasing power' may have. In other words, the significant portion of GDP assigned to the welfare state conceals a decline in real value – simply put, that we are talking about a poorer welfare state. Argentina has experienced erratic economic growth in the last 25 years, with prolonged periods of stagnation, frequent recessions as well as moments of significant growth. What this data tell us is that the Argentine welfare state is no worse off than is to be expected, given the state of the economy generally.

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 Argentine welfare state is of a different species than that which existed until the 1990s.

It is true that many changes took place during this period, such as the semi-privatisation of the pension system, the increase in the population with access only to public hospitals, the structural changes in the education system, the extensive incorporation of technology into the healthcare system, etc. Regardless, these and other changes can be expected in a society that underwent a major transformation in this 25-year period. Therefore, one way of approximating the 'basic nature' of the Argentine welfare state is to analyse how its structure evolved in relation to the central tenets that forged social policy regimes at international level.

In response to these concerns, we assess social spending from the perspective of the basic principles around which it is structured, i.e. 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.

To summarise, we can affirm that the Argentine welfare state did not suffer retrenchment in terms of percentage of GDP, neither was it impoverished beyond what the Argentine society itself suffered and, finally, it experienced no major structural changes. This article does not set out to compare nor make judgements regarding the equity, efficiency, efficacy or quality of the Argentine welfare state. 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 the Argentine welfare state, but is beyond the scope of this study.

The conclusions in this article lead us to a theoretical consideration of the relationship between capitalism and the welfare state, demonstrating the challenges facing any practical attempt at 'decommodification' (Offe, 1984) in complex societies in the midst of democratic consolidation. This article also highlights the difficulties the welfare state faces in adapting to a new social situation and illustrates the persistence of the cultural models that shaped its development – in other words, its resistance to change, despite the changing nature of society.

Evolution of public and social spending

To achieve a more synthetic view of public and social spending over the past 25 years, we take the mean value of each five-year period from 1980–2004. For the period 2000–2004, the information is disaggregated annually in order to show the impact of the exchange

Table 1. Total public expenditure 1980–2004 (5-year mean as a percentage of GDP).

Objective/function	1980–84	1985–89	1990–94	1995–99	2000–04
Total spending	28.19	32.13	31.27	31.73	31.44
I. State function	4.62	4.98	5.85	6.08	5.88
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
II. Public social spending	12.93	16.83	19.85	20.58	20.29
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
III. Spending on economic services	6.73	7.46	3.64	2.38	2.01
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
IV. Public debt service	3.91	2.86	1.93	2.68	3.26

Source: From Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción.

rate crisis. Total spending levels include federal, provincial and municipal expenditure and are provided by the Ministry of Economics and Production.

In Table 1 it can be observed that, with the exception of the first five-year period of the 1980s, total public spending during the transition period from Keynesianism to neoliberalism was characterised by a marked level of stability, at around 31 per cent of GDP.²

This situation forcefully captures our attention when we keep in mind that this period was characterised by a supposedly profound transformation of the state. These data lend themselves to the notion that, in global terms, the presence of the state (measured by the volume of administrative resources) in civil society throughout this quarter century did not experience modifications of great scope. Realising this is even more important once we remember that the neoliberal reforms promoted a reduction in the presence of the state in Argentine society. In this way, we can glimpse the Argentine state's resistance to change.

Disaggregating the information further, a trend of increases in spending considered most basic for even a minimalist state can be observed. In this case, spending at the beginning of the 1980s hovered around 4.5 per cent and grew to 6 per cent by the end of the period. Reviewing the evolution of its components, a trend emerges towards increased spending on general administration and the judicial system and decreased

spending on defence and security. Clearly, this latter change marks the loss of the central role that the armed forces experienced in Argentina after the restoration of democracy at the beginning of the 1980s.

Above all, the role of the state in the economy was undoubtedly the most affected. From a level of nearly 7 per cent of GDP at the beginning of the period, state spending accounts for only 2 per cent at the end, with the primary fall taking place at the beginning of the 1990s. The process of privatisation of public companies is the primary cause of this phenomenon, especially in the area of fuel and services. Expenditure on servicing the debt shows up as an inverted parabola, beginning and ending the period under analysis with a level a little above 3 per cent of GDP.

Stability in total spending levels and in the basic functions of the state, along with a drop in spending on economic aims, implies that there was a clear winner: social spending, which experienced a strong increase period after period and reached 13 per cent of GDP in the first period and 20 per cent in the final three, increasing its proportion of total spending and winding up as by far the most important area of spending for the Argentine state.

The information presented here suggests the conclusion that at the same time that Argentine Keynesianism was drastically dismantled with privatisation, deregulation and labour market flexibility, the welfare state experienced significant growth, measured by the proportion of resources assigned to it.

An internal analysis of social spending shows an increase in nearly all its components, with the exception

² Total public spending hovers around 30.95 per cent of GDP (mean value of the period), with a minimum in 1983 at 25.92 per cent and a maximum in 2001 at 35.69 per cent of GDP.

Table 2. Total public expenditure 2000–04 (as a percentage of GDP).

Objective/function	2000	2001	2002	2003	2004
Total spending	33.78	35.69	29.34	29.45	28.93
I. State function	6.32	6.44	5.55	5.44	5.63
General administration	3.15	3.12	2.62	2.66	2.81
Courts	0.92	0.98	0.82	0.73	0.75
Defence and security	2.25	2.35	2.11	2.06	2.08
II. Public social spending	21.41	22.16	19.75	19.15	18.99
Education, science, and culture	5.00	5.21	4.40	4.04	4.18
Health	4.96	5.11	4.47	4.34	4.36
Potable water and sewage system	0.10	0.10	0.11	0.12	0.13
Housing and urban development	0.38	0.41	0.23	0.30	0.38
Development and social assistance	1.23	1.27	1.23	1.37	1.41
Social security system	7.92	8.14	7.06	6.56	6.32
Employment	0.95	1.04	1.51	1.69	1.45
Other urban services	0.86	0.90	0.74	0.72	0.76
III. Spending on economic services	1.80	1.77	1.41	2.46	2.62
Primary production	0.34	0.30	0.26	0.29	0.34
Energy and fuel	0.31	0.25	0.25	0.26	0.71
Industry	0.06	0.06	0.05	0.05	0.05
Services	0.89	0.95	0.69	0.87	1.13
Other expenditure	0.19	0.21	0.16	0.98	0.39
IV. Public debt service	4.26	5.32	2.62	2.40	1.69

Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción.

of the pension system which hit a maximum of 8 per cent of GDP in the period 1990–94 and decreased thereafter to 7 per cent in the last period. The decrease in coverage was caused by increased requirements for retirees with the pension reform of 1993, an increase in employment insecurity and the freezing of the value of benefits after these reforms.

There was also a drop in spending on housing and potable water, but these constituted a very small portion of social spending. Nevertheless, it is noteworthy that in the education and health sectors there was sustained growth throughout the period. In the same vein, there was an increase in spending on employment and social promotion, which, though making up a small portion of total social spending, represents the state's response to the negative impact of increased labour market volatility.

It is convenient now to disaggregate the information in the last five-year period since this was the span in which the exchange rate crisis occurred, giving rise to the deepest crisis in Argentine history, the effects of which will take years to dissipate. Analysis of the information in Table 2 indicates that if the period before the crisis is taken into account (2000 and 2001), then Table 2 reinforces the conclusions from Table 1. That is to say, spending increases on the basic functions of the state and in the arena of social expenditure. On the other hand, the decrease in spending on economic aims sharpens and debt service payments rise dramatically as a proportion of GDP. The sub-period that begins with the great crisis (2002–04) reveals a major drop in all spending with the exception of economic sectors, which recover back to the low levels of the second half of the 1990s.

Looking in detail at the development of social spending shows clearly that the primary source of the drop experienced in 2002 is the decline in pension spending, which is, in turn, caused primarily by the lack of flexibility of benefits in the face of high inflation in this sub-period. There was also a drop in education and health spending, though more tenuous than in the case of pensions. At the same time, spending on social assistance experienced a mild increase, which became more significant in the case of employment as a result of the creation of the programme 'Jefes y Jefas de Hogar'. These gains can be explained by the social emergency produced by the breakdown of the exchange rate system.

As general conclusions we can affirm that, viewing public expenditure as a portion of GDP, it is not the overall role of the state that has shrunk, but rather its involvement in economic functions. Spending associated with the welfare state not only emerged unscathed in the transition from Keynesianism to neoliberalism, but never stopped growing. The interruption in public spending, on all fronts, beginning in 2002 was a consequence of a crisis in the model under which neoliberal ideas had been implemented.

The 'purchasing power' of the welfare state

Even accepting the results obtained in the previous section, an argument could be advanced that the output of the welfare state lost value. In other words, the current welfare state would be a poor cousin of that which existed at the end of the 1970s.

But if, as we have seen, the Argentine welfare state accounts for a growing portion of public social

Table 3. GDP and total public expenditure (1980–2004).

Objective/function	1980–84	1985–89	1990–94	1995–99	2000–04
GDP (millions, 1993 dollars)	198,232	196,810	219,837	268,749	262,059
Total public spending (millions, 2001 dollars)	69,041	69,588	72,842	87,052	76,613
State administration	11,339	10,791	13,717	16,686	14,309
Social spending	31,790	36,461	46,355	56,463	49,304
Spending on economic services	16,464	16,136	8,259	6,517	4,843
Debt service	9,449	6,201	4,512	7,387	8,158

Source: CEPAL (Buenos Aires) y Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción.

Table 4. GDP and total public expenditure per capita 1980–2004.

Objective/function	1980–84	1985–89	1990–94	1995–99	2000–04
GDP (millions, 1993 dollars)	198,232	196,810	219,837	268,749	262,059
Total public spending (millions, 2001 dollars)	69,041	69,588	72,842	87,052	76,613
Total public social spending (millions, 2001 dollars)	31,790	36,461	46,355	56,463	49,304
Population	28,968,984	31,216,086	33,383,857	35,513,304	37,510,293
GDP per capita (1993 dollars)	6,842	6,304	6,585	7,567	6,986
Public spending per capita (2001 dollars)	2,383	2,229	2,182	2,451	2,042
Social spending per capita (2001 dollars)	1,097	1,168	1,389	1,590	1,314

Source: Author's calculations from CEPAL (Buenos Aires); Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía and INDEC.

spending, the requirement for making that critique would be to show that, in reality, the impoverishment impacted the society in which the welfare state exists. To investigate the importance of this critique, we can simply observe the evolution of GDP in constant terms. Figure 1 indicates that there was stagnation in the 1980s, important growth in the 1990s and a rapid fall followed by strong recovery in the last five-year period. Figure 2, on the other hand, shows that social spending in constant terms generally reproduced the procyclical pattern of GDP evolution, a fact widely acknowledged in the academic world. (See the Appendix.)

On the other hand, analysing the five-year blocks in Table 3 tells us that social spending was the only variable that showed an increase in every period, with the exception of its sharp decline in the final one.

Another approach to evaluating the 'impoverishment' of the welfare state is to introduce a population variable in order to estimate GDP and spending per capita, since increases in these could produce this phenomenon of impoverishment if they were below the level of population growth. Reporting GDP per capita in constant terms, the information displayed in Table 4 allows us to observe a pattern of ups and downs. This behaviour differs from that experienced by social spending per capita, which maintained constant growth with the exception of the final period, for reasons already discussed.

Clearly, the information presented does not support the idea of an 'impoverishment' of the Argentine

Table 5. Public spending on healthcare 1991 and 2001.

Year	1991	2001
Total population (1)	32,615,528	36,260,130
Population without coverage (2)	12,032,999	17,424,010
Public spending on healthcare (3) (millions, 2001 dollars)	9,273	13,737
Spending on public health (4) (millions, 2001 dollars)	3,358	5,705
Annual public spending on healthcare (3)/(1)	284	379
Annual spending on public health (4)/(2)	279	327

Source: INDEC, Censo Nacional de Población, Hogares y Viviendas 1991 y 2001 y Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción.

welfare state, though it did experience sharp falls in conjuncture with the trends in the economy, followed by strong growth in periods of expansion. It can be affirmed, then, that in the final reckoning the Argentine welfare state has shared in the modest enrichment that Argentine society has experienced over the past 25 years.

To complete the analysis in this section, we introduce information regarding the evolution of three key areas of social spending: health, education and pensions. In Table 5 we can see that public spending per capita on health, measured in constant terms, grew from \$284 a year to \$379 in the period between 1991 and 2001. However, this result could conceal substantial differences between spending in the public sector and

Table 6. Public spending on education and enrolment in public institutions (1980–2004).

Period	1980–83	1984–88	1994–99	2000–04
Students enrolled	4,763,389	5,606,769	6,589,536	7,142,676
Spending on primary education (millions, 2001 dollars)	4,176	5,338	8,005	7,498
Annual per pupil spending (millions, 2001 dollars)	881	952	1,213	1,050

Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción y Ministerio de Educación, Ciencia y Tecnología. Data on enrollment in public institutions: for 1980–88 from the Centro Nacional de Estadísticas de la Educación, for 1994–2000 from the Dirección General Red Federal de Información Educativa, and for 2001–04 from the Dirección Nacional de Información y Evaluación de la Calidad Educativa.

Table 7. Public spending on education and enrolment in public institutions (2000–04).

Period	2000	2001	2002	2003	2004
Students enrolled	7,101,174	7,182,269	7,218,660	7,111,773	7,099,506
Spending on primary education (millions, 2001 dollars)	9,363	9,515	6,147	5,687	6,777
Annual per pupil spending (millions, 2001 dollars)	1,319	1,325	851	800	955

Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción y Ministerio de Educación, Ciencia y Tecnología, Dirección Nacional de Información y Evaluación de la Calidad Educativa.

Table 8. Pension spending per capita (1980–99). Five-year mean.

Period	1980–84	1985–89	1990–94	1995–99
Actual SIJP benefit levels	2,477,335	2,778,067	3,180,675	3,330,083
Pension spending (millions, 2001 dollars)	10,648.2	13,600.0	19,019.6	21,469.3
Spending per beneficiary (2001 dollars, annual)	4,347.3	4,904.2	5,969.6	6,448.7
Spending per beneficiary (2001 dollars, monthly)	362.3	408.7	497.5	537.4

SIJP, Integrated System of Retirement and Pensions

Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción y Secretaría de Seguridad Social 'Panorama de la Seguridad Social', Series Históricas 1971–2000.

in social security health schemes. To control for this effect, we estimated the per capita spending of the public sector, excluding the health schemes. Clearly, in the period under review there was strong growth in the number of people without private coverage or social security. It is reasonable to suppose that these people could access only public health services and that the increase in potential beneficiaries should put substantial pressure on the resources of this sector. The data, however, do not show any decrease in the availability of public resources. Here, as well, spending per capita increased from \$279 a year to \$327.³

³ This information should be considered with caution. For example, it is possible that the increase in the costs of medical inputs has been higher than the general price level and that this annuls the increase shown in per capita spending. We do not have data to show this and therefore it is a hypothesis that remains to be tested. But until more detailed studies can show this to be true, there is no evidence of an 'impoverishment' of the sector.

In the case of education, the information in Tables 6 and 7 relate public spending on basic instruction with the enrolment levels in public schools at the preschool, elementary, middle and high school levels. The period under analysis witnessed a significant increase in enrolment at all these levels; however, there was also a significant increase in spending that produces, in the final tally, increasing levels of per pupil spending.⁴ In this case as well, the crisis of 2001 produced an important retraction.

In the arena of pensions, the information in Table 8 also fails to support the thesis of welfare state impoverishment; on the contrary, in each five-year period where data are available, there is an increase in spending in constant terms. Once we incorporate spending on benefits within the Integrated System of

⁴ These data on the education sector are illustrative given that there is state spending in the private sector, which our example does not contemplate. But we work with the assumption that the portion of state spending in this area was relatively constant across the period.

Table 9. Pension spending per capita (2000–04).

Period	2000	2001	2002	2003	2004
Actual SIJP benefit levels	3,266,817	3,213,264	3,181,981	3,155,171	3,105,713
Pension spending (millions, 2001 dollars)	22,152	21,864	14,524	14,029	15,160
Spending per beneficiary (2001 dollars, annual)	6,780.8	6,804.4	4,564.4	4,446.3	4,881.5
Spending per beneficiary (2001 dollars, monthly)	565.1	567.0	380.4	370.5	406.8

Source: Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción, y Secretaría de Seguridad Social, Dirección Nacional de Políticas de Seguridad Social.

Retirement and Pensions (SIJP), the result emerges of increasing average benefits in each period analysed.⁵ Only later, in 2002, shown in Table 9, can we see a major decline in the value of average benefits.

Definitively, along with the welfare state's resistance to losing resources, this section does not support the hypothesis that we find ourselves facing a poorer version of what we knew in the Keynesian era. The drop in funding experienced after 2002 is a product of the crisis of the neoliberal strategy rather than a crisis of its implementation, and it will take several years to see if this is simply a temporary decline or if it will eventually produce the oft predicted 'roll back' of the welfare state.

Changes in the structure of the welfare state

If the welfare state has shown an unexpected capacity to resist the transition from Keynesianism to neoliberalism in the Argentine case, there could still be important interior transformations concealed within this process. Even if the welfare state has not suffered severe retrenchment (except for that caused by the exchange rate crisis), it could be argued that, along with the general position of the society it serves, it has experienced such important modifications that it can no longer be considered the same welfare state as that which existed at the beginning of the 1980s.

Various elements can support this vision since, clearly, important changes took place over the last quarter century. The pension system experienced semi-privatisation with the rise of the system of private savings accounts administered by private companies; social security health schemes also had to begin to compete against each other to attract users and reverted to an attempt at pacting with private entities in order to

capture wealthy users with high levels of disposable income (the so-called 'skimming' effect); reforms were enacted in the structure of the education system and enforced more years of obligatory education; there was a proliferation in the 1990s of programmes directed towards the lowest income groups, inspired by the model of targeted spending etc.

Nonetheless, these changes – though undoubtedly important – did not impact what can be denominated as the 'basic nature' of the Argentine welfare state, i.e. the presence of the distinct principles that constitute its central features. To understand this point, some conceptual discussion is necessary.

Gøsta Esping-Andersen, a Danish sociologist, introduced an important refinement in the social policy literature by denying the definition of the welfare state as a single unit of analysis and distinguishing instead three models (Esping-Anderson, 1990). He proposed, referring to the advanced industrialised countries, a Liberal model (residual) to characterise the intervention of the state in the USA and UK, a Conservative model (corporatist) to refer to the style of social policy prevalent on the European continent, and the Social-Democratic model (institutional-statist) in reference to the Scandinavian countries.

This third model is designated as the one with the highest volume of resources dedicated to social services, and implies the existence of high taxation that redistributes income and wealth. These are societies with greater labour flexibility and lower unemployment than the corporatist model. There is a high level of state protection for citizens, which includes active labour market policy and training for the unemployed as an important aspect of labour policy. Finally, these are societies that place great emphasis on public employment oriented towards personal services (i.e. day care), fundamentally in the hands of women, which greatly increases the level of female labour force participation.

The corporatist model of the European continent possesses a lower level of social spending than the institutional-statist model and is financed fundamentally through payroll taxes. These countries have a highly protected labour force, low incentives for job creation and high unemployment. The general level of labour

⁵ In the case of the social security system, spending is greater than what is referred to in the SIJP, including for example non-contributive pensions and provincial social security systems that are not transferred to the national level. Regardless, the benefits and costs of the SIJP are the most significant, allowing our exercise to be generally applicable in understanding what has occurred in the sphere of the social security system.

force participation is less than the other two models, especially in the case of women. This method of structuring social policy presents difficulties for coping with unemployment among young people, new entrants to the work force and adults who have lost protected employment. Despite all this, there are innovative attempts, such as the RMI (the Minimum Social Salary) in France, which entails a contract with unemployed persons over the age of 25 who are required to look for work in return for income, though they are not obligated to accept unwanted employment. This model attempts to delay the age of labour market entry, increase the average number of years spent in school for young people and extend the age of retirement.

For the Liberal model, the market is central in the provision of social goods. These are societies characterised by a highly flexible labour market and low rates of unemployment. Public spending on social services is the lowest of the three models and there is a high level of precarious employment with low pay. These societies have substantial poverty levels and unconditional social programmes have suffered cuts and increasingly stringent requirements for access.⁶ These countries have also introduced certain measures (the Earned Income Tax Credit) that encourage the poor to seek employment and accept positions with low pay.

My own viewpoint, although coinciding with Esping-Andersen's, deviates from the view of three basic methods of state intervention in processes of redistribution in that it focuses on their origins in distinct historical moments and geographic features in many contemporary societies.

In accordance with the principle of *means-testing*: those who provide benefits are not obligated to do so and those who receive them do not have a basic right to those benefits. This principle, which became the dominant pattern of state social policy in the 19th century, generates the foundation of charity or social assistance. A second principle is that of *contribution*: benefits are given to those who participate in financing their provision. This principle forms the basis of the social security system implemented during the 20th century. The third principle is that of *citizenship*: all inhabitants of a country who are considered citizens have a right to social policies funded through taxation. This focus was a strong component of social policy in Europe after World War II.

Viewed from this perspective, the 'three worlds' of the welfare state delineated by Esping-Andersen can coexist within the same country. For example, the corporatist countries of continental Europe utilise means-tested social assistance programmes described

in the Liberal model. The Anglo-Saxon countries have Bismarckian contribution-based social security systems (in the case of the USA) and citizenship-based National Health Service (in the case of the UK). The same occurs in Latin America where, despite the primarily corporatist framework introduced through worker–employer–state contribution-based social security schemes, elements of the other two social policy structures also coexist.

For example, Argentine social policy has been based on all three principles, making it possible to find social policies that include social security for the shrunken formal employment sector, with discretionary resources assigned by the state specifically for low income groups, as well as the public education system which is a form of citizenship-based spending.

In order to analyse the trajectory of the 'basic nature' of the Argentine welfare state in accordance with these three principles, which have historically structured the state's intervention in social policy, we reorganise the data on public spending. In this way, we group together spending on healthcare and public education within the principle of citizenship, since they are services available to all inhabitants and financed through general taxation. Within the principle of contribution, we place social security programmes, since they tend to require a financial contribution from the beneficiary and restrict benefits to the extent of that contribution. Lastly, we include within the principle of means-testing those social assistance programmes directed towards low-income populations and spending on housing. We have excluded an analysis of spending on 'other urban services' that are hard to categorise but which, because of their small portion of total spending, will not impact the results of our analysis.

Table 10 shows the components and evolution of each of these forms of spending. It highlights the systematic increase in spending based on the citizenship principle across the periods, which is certainly related to the great increase in enrolment at all levels of education during this period and the greater levels of coverage in the public health system for those sectors that were denied access to social security health schemes.⁷ Table 10 also shows the growth and subsequent stagnation of benefits based on contributions after the pension reform of 1993.⁸ It shows as well the relative stability of spending on means-tested programmes, although the total amount hides the differential behaviour of spending on housing

⁷ See Tables 6 and 7.

⁸ Regarding the value of pensions, it should be noted that levels remained constant from the reform of 1993 until the end of the period analysed in this article; this situation deteriorated due to the high inflation experienced, particularly in 2002.

⁶ For example, the transition from AFDC (Aid to Families with Dependent Children) to TANF (Temporary Assistance to Needy Families) in the USA.

Table 10. Structure of social spending by principle 1980–2004 (percentage 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					
Citizenship					
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
Total	4.02	5.15	5.69	6.46	6.64
Contribution					
Social security health schemes	2.03	2.16	2.20	2.13	2.12
INSSJP: 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
Total	7.38	9.56	11.94	11.88	11.41
Means tested					
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
Total	1.02	1.41	1.27	1.39	1.45
Total principle	12.42	16.12	18.90	19.73	19.50

Source: Author's calculations from Dirección de Análisis de Gasto Público y Programas Sociales, Secretaría de Política Económica, Ministerio de Economía y Producción.

INSSJP: National Institute for Social Services and Pensioners.

(decreasing) and social assistance (increasing) because of the proliferation of targeted programmes after the 1990s.⁹

If we analyse the percentage structure of expenditure as seen in Table 11, the stability of spending shows up clearly. The image that emerges from this information is that the structure of the Argentine welfare state at the beginning of the 1980s was basically the same as that at the outset of the 21st century. The pre-eminence of the contributory portion across the period positions Argentina within the Conservative or corporatist model defined by Esping-Andersen. Sixty per cent of spending pertains to this model, while spending associated with the Social-Democratic model or the principle of citizenship occupies close to a third of the total volume of social spending. The component associated with the Liberal or residual model, the principle of means-testing, continues to make up a marginal proportion of spending. In this way, the attempts of the 1990s to expand the Liberal model were not particularly successful.

⁹ It should be clarified, nevertheless, that the Heads of Household programme (JJHH) should be included in the category of Development and Social Assistance spending, but it is impossible to separate it from the general group of Job training and Unemployment insurance programmes under which they are calculated. In our classification system, this category falls under contributive spending because of unemployment insurance, which is only accessible for workers in the formal sector. In fact, the jump that this section experiences in the final period can be accounted for by the implementation of the JJHH programme, which means that the difference from earlier periods should be calculated as means-tested spending.

Table 11. Structure of social spending by principle (percentage) 1980–2004.

Principle	1980–84	1985–89	1990–94	1995–99	2000–04
Citizenship	32.37	31.95	30.11	32.74	34.05
Contribution	59.42	59.31	63.17	60.21	58.51
Means-tested	8.21	8.75	6.72	7.05	7.44
Total	100	100	100	100	100

Source: Author's calculations from Table 10.

To sum up what has been analysed to this point, not only was the Argentine welfare state not dismantled in the transition from Keynesianism to neoliberalism, but it actually grew in terms of public resources invested – until the exchange rate crisis. Furthermore, there was no significant change in its structure, as it continued to be a model fundamentally inspired by the Bismarckian principle of contribution and was therefore associated with the corporatist model of the continental European countries.

Conclusions

The discussion in this article leads us to form two central conclusions. First, the extraordinary resistance of the welfare state to change despite 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 over the last quarter of a century.

That is to say, the attempts to reduce the welfare state clash directly with the resistance generated by the processes of democratisation and the need to keep from losing political legitimacy. In this regard, the Argentine case is interesting because the privatisation of state-owned enterprises and the dramatic reduction in spending on economic aims were brought about in very short periods of time and without major political casualties. The attempt to do the same with social spending produced completely different results in the case of the reform of the pension system and the social security health schemes (Isuani & San Martino, 1993). The political pressure of unions, opposition parties and retiree organisations prevented privatising transformations of the depth experienced in the realm of public companies in industry and services. The cultural view that social policies represent a set of rights that should be guaranteed by the state also contributed to the challenge of privatising the welfare state.

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. Argentine society experienced, as we saw, profound transformations in its structure – the retraction of the regulatory and productive capacity of the state, international opening and competition and employment flexibility, all of which transformed the labour market, causing increased unemployment, under-employment 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 characterised 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 organised primarily so as to provide social security income to those who exit the labour 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 Argentina a model of social provision persists based on the notion of the man as primary ‘breadwinner’, while the woman produces outside the formal labour market. This concept does not take into account the fundamental changes in family composition, which have resulted in an elevated level of female labour 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 labour force; this is known as ‘New Social Risks’, which are not currently taken into consideration by the welfare state (Esping-Andersen, Gallie, Hemerijk & Myers, 2002).

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 organisational 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.

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Appendix

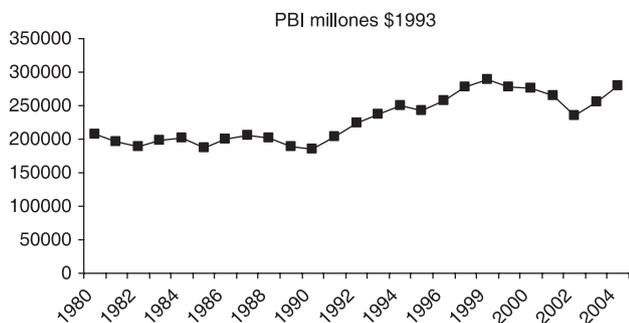


Figure A1. GDP (Millions, 1993 dollars).
Source: CEPAL (Buenos Aires).

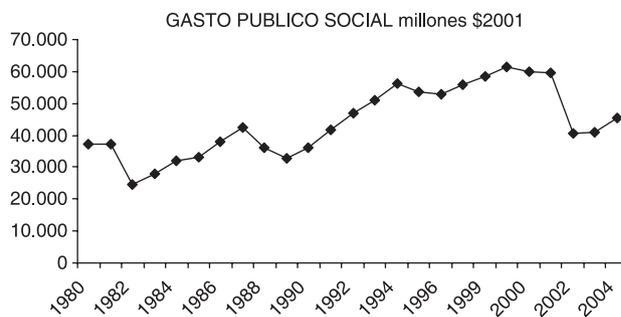


Figure A2. Public Social Spending (millions, 2001 dollars).
Source: From Dirección de Análisis de Gasto Público y Programas Sociales – Secretaría de Política Económica-Ministerio de Economía y Producción.