Labour markets and the (hyphenated) welfare regime in Latin America

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Main points

Welfare regimes and stratification effects

Characterising a Latin American welfare regime: conservative/informal?

Social insurance reforms in the 1990s: liberal/informal?

The emergence of social assistance in the 2000s: liberal-informal?

Two questions:

What are the implications for welfare regime analysis?

What will be the shape of welfare institutions in Latin America?
Welfare regime and stratification effects

Stratification effects explain persistence in welfare regime over time

...and could be deployed to study change in welfare institutions in Latin America
A Latin American welfare regime?

Welfare regimes as ‘ideal types’

Typologies ‘can be useful for at least three reasons . . . they allow for greater analytical parsimony . . . the analyst can more easily identify some underlying connecting logic of movement and maybe even causality. And three, typologies are helpful tools for generating and testing hypotheses’ (Esping-Andersen 1999: 73).
Characterising a Latin American welfare regime before the 1980s

Welfare provision in Latin America was based around social insurance funds

Emerged early in the 20th century in southern cone countries: Argentina, Uruguay, Chile, but also Costa Rica

Over time: extension to other countries in the region; expansion of provision; initially occupational funds but later consolidated under public management

- Contributory social insurance the main component of social protection systems
- … but covered at best a fraction of formal workers
- Informal workers relied upon their families and communities; social assistance was highly residual, based on voluntary sector provision, and clientelistic
- The social protection system in Latin America is best described as ‘truncated’

In the context of Esping-Andersen’s typology, the Latin American welfare regime is best described as *conservative/informal*
Social Insurance Reforms in the 1990s

Large-scale reforms of social insurance in the 1990s

- 12 countries in the region shifted from pay-as-you-go pension schemes to individual retirement accounts
- Health insurance separated out from pension schemes
- Other countries introduced parametric as opposed to structural reforms

Changes to the conservative component, but no change in the informal component

Reforms transform welfare regime into **liberal/informal**

**Key drivers behind change:** structural adjustment, labour market liberalisation, and authoritarianism
Growth of social assistance in the 2000s

The rapid growth of antipoverty transfer programmes in Latin America is leading to another transformation of the welfare regime

- Human development conditional income transfers
  - Brazil’s Bolsa Familia; Mexico’s Oportunidades; Ecuador BDH

- Child and Family Transfers
  - Argentina’s Asignacion por Hijo

- Non-contributory pensions
  - Bolivia’s Bono Dignidad; Chile’s Pilar Solidario; Brazil’s BPC

The growth of social assistance leads to a liberal – informal welfare regime

One region two systems?
Reach of human development conditional transfers in Latin America

% extreme poor reached  % poor reached

One Region – Two systems?

The inclusion of low income and vulnerable through antipoverty transfer programmes has important characteristics:

Vertical not horizontal inclusion – on different basis to social insurance

Fixed level transfers – fraction of poverty line

Fixed participation periods with expectation of exit

Productivist – support human capital accumulation; lack work tests

Change in institutional structures:

Ministry of Labour and Social Security vs Ministry of Social Development
What are the implications for welfare regime analysis?

Latin America ‘violates’ two tenets of welfare regime analysis in high income countries: regime integrity and path dependence

Regime integrity – description of Latin America’s welfare regime as first truncated then segmented – can welfare regimes accommodate two components?

Path dependence – fundamental change in the Latin American welfare regime, twice! – can welfare regimes change in their core structures? What explains change?

Are welfare regimes appropriate to study welfare institutions in developing countries, where change is common? Are welfare institutions in developing countries pre- (not yet) welfare regimes?
My hypothesis is that stratification is weak in Latin American countries, and therefore welfare regimes are not sufficiently stable – by comparison with Europe

Pre-1980s, access to social insurance was dependent on employment status

...but the acute crisis in the 1980s in the region, the structural adjustment which followed, and the reform of social insurance, weaken the role of formal employment

...and the shift from an import-substitution development strategy to export led growth undermined the political coalitions supporting social insurance

Access to social assistance programmes is not dependent on employment status but on socio-economic conditions.

Renewed social contracts emphasise citizenship-based protection; a shift in the main stratification device – left turn in Latin American politics
What will be the shape of welfare institutions in Latin America?

A liberal welfare regime?

Integration is difficult… and may not be desirable

Examples of horizontal integration require, as a rule, large public subsidies

- Previdência Social Rural (Brazil); Pilar Solidario (Chile); Plan de Inclusión Previsional (Argentina)

…and can be criticised as large subsidies to unsustainable and regressive schemes

Although the social insurance component resembles OECD liberal regimes; the social assistance component in Latin America is *sui generis*

However, the continued expansion of the social assistance component might achieve consolidation of the two components around social assistance (Levy’s proposal for Mexico)
Conclusions

Latin America provides a test for the appropriateness of the welfare regime approach to study welfare institutions in developing countries.

There are many features of welfare institutions in Latin America that can be productively studied with the welfare regime approach; but two features are distinct: the presence of first truncation and then segmentation in welfare production; and the absence of path dependence.

Changes in the welfare regime, and segmentation, can be explained by the weakness of stratification effects.

There are no strong reasons to predict the integration of the welfare regime components.