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Oxford *Handbook on Comparative Welfare States*

Latin America

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Development and Reforms of Latin American Welfare States

Origins of the Welfare State: The concept of the Welfare State (*Estado de Bienestar*) has come into widespread use relatively recently in the Latin American literature. Traditionally, studies of social security dominated the literature. This reflected reality in so far as states – to the extent that they began to take responsibility for the welfare of their citizens – emphasized employment based social insurance, that is, social security, over non-contributory social assistance. In health care, the dominant model was social security coverage for the employed population and dependents. Public health services in charge of preventive care and provision of care for the uninsured tended to be severely underfunded.

More recent authors have developed the concept of social policy regimes or models of social policy to denote the structure and generosity of the totality of social programs. Typically, these authors are concerned with the distributive effects of the structure and generosity of social programs and therefore include not only transfers and health services but also education in their analyses. The distribution of access to quality education is an important determinant of poverty and inequality in Latin American societies. It is worth noting that price controls and subsidies constituted an important instrument of social protection for the poorer sectors of the population before the debt crisis of the 1980s and the subsequent opening and deregulation of the Latin American economies. However, the general welfare state/ social policy literature did not include systematic analyses of price controls and subsidies, presumably because their aggregate effects would have been difficult to gauge.

The theoretical perspective offered by the pioneering works that sought to explain the formation of social security regimes was a combination of economic development and pressure group politics (Mesa-Lago 1978; Malloy 1979; Isuani 1985). Social stratification came to be reflected in the social security systems of Latin American countries because the most important pressure groups over time managed to extract from the state their own schemes of social protection. Typically, the military received the earliest and best social protection, accompanied or followed by the judiciary and other high-ranking civil servants, then professionals and other white-collar sectors, and finally unionized blue-collar workers in the urban sector and on rural plantations (Mesa-Lago 1978). Only later and only in some countries did the bulk of the rural population become incorporated into social security. Extensions of social security protection were not always a response to direct pressure from organized groups; the alternative consisted of state incorporation attempts of groups that elites perceived to be potential threats or power bases, or concerns with state building and modernization (Mesa-Lago 1978; Spalding 1978; Papadopoulos 1992).

The uneven pace of industrialization led to uneven development of social security schemes. In the pioneer countries (Argentina, Brazil, Chile, Uruguay, and Cuba), the main social security schemes were established in the 1920s and grew in a gradual and fragmented manner. In the second group (Colombia, Costa Rica, Mexico, Paraguay, Peru, and Venezuela), the main schemes were installed in the 1940s and tended to grow in a less fragmented manner. In the remaining countries, the least economically developed ones, social security schemes appeared even later (Mesa-Lago1989:3-6). The pioneer countries plus Costa Rica had achieved the highest levels of social security health coverage by 1980, over 60% of the population; Colombia, Guatemala, Mexico, Panama, Peru, and Venezuela covered between 30 and 60% of their populations; in the rest of the countries coverage was below 30%. The English-speaking Caribbean was an important exception, with coverage of 80% or higher, despite the low level of economic development. The figures for pension coverage of the economically active population showed a similar pattern (Mesa-Lago 1994:22).

More recently authors have used a power constellations perspective, developing their analyses in dialogue with welfare state theories formulated for advanced industrial countries, and focusing on structural changes (industrialization and urbanization) leading to changes in political regimes (democratization) and/or power distributions (strength of labor and the left) and political alignments or coalitions (Dion 2005; Filgueira and Filgueira 2002; Haggard and Kaufman 2008; Huber, Mustillo and Stephens 2008; Pribble 2008; Segura-Ubiergo 2007). In particular, they have emphasized the political economy of Import Substitution Industrialization (ISI), which on the one hand fostered growth of urban labor and unionization and enabled employers to pass on high social security taxes to consumers behind high tariff walls, but on the other hand developed only a limited capacity to absorb the swelling ranks of the urban labor force and thus left a rapidly growing urban informal sector and the still large rural sector without coverage. These authors have also identified different paths to extensive social security coverage, through either high industrialization and strength of labor and left-of-center parties, with or without long records of democracy, or in the absence of high industrialization through long records of democracy and strength of left-of-center parties (Huber and Stephens 2005; Haggard and Kaufman 2008; Pribble 2008; Segura-Ubiergo 2007; Martínez-Franzoni 2008).

Reforms of Social Policy Regimes: The literature here is quite voluminous. The studies of the deficiencies of the social security systems as they had developed by the early 1980s emphasize the large fiscal deficits faced by the social security schemes in the more advanced countries. These schemes had matured and the ratio of active to inactive affiliates had deteriorated; the surpluses in the social security funds had been poorly invested or spent on other purposes altogether, such as public housing programs; life expectancy rose; expenses for costly curative health care escalated; employers evaded or greatly delayed contributions, particularly during periods of high inflation; and administrative costs were exorbitant (Mesa-Lago 1994). The debt crisis and the ensuing austerity and structural adjustment policies aggravated these problems. Rising unemployment and growing informalization caused declines in social security contributions; the fiscal crisis of the state reduced state subsidies; high inflation eroded the value of benefits or – where legislation forced an adjustment – put great strain on the systems and created a debt to beneficiaries. The deficits of the social security systems aggravated the general fiscal crisis of the state and attracted the attention of the International Financial Institutions (IFIs), particularly the International Monetary Fund (IMF).

The policy prescriptions issued by the IFIs and the United States Agency for International Development (US AID) applied neoliberal principles to both economic and social policies. Essentially, these agencies pushed for cuts in government expenditures, liberalization of trade and capital flows, privatization of state enterprises, relaxation of economic regulations, and incentives for foreign direct investment, along with a reduction of the role of the state in financing social policy and in providing social services in favor of greater involvement of the private sector in financing and providing social insurance and social services (Williamson 1990; World Bank 1994). These prescriptions, however, were differentially implemented, dependent on the balance of power between the IFIs and internal advocates of neoliberalism on the one hand, and stake holders in the existing sytems and advocates of more state-oriented reforms on the other hand (Huber 2005).

Alternative prescriptions of a more social democratic nature were offered, increasingly so by left-leaning think tanks in Latin America, but they lacked political and financial backing. The International Labour Office emphasized the principles of equity and solidarity in labor market and social policy (Bertranou, Solorio, and van Ginneken 2002), but it also lacked the financial clout to be able to compete with the IFIs. In the late 1990s, some forces in the IFIs engaged in important reexaminations of the reforms and their shortcomings (Holzmann and Stiglitz 2001; de Ferranti et al. 2004; both volumes published by the World Bank). Finally, after two decades of disappointment with the effects of neoliberal social policy reforms, the Inter-American Development Bank gave exposure to an alternative vision by supporting a project on *Universalismo Básico (Basic Universalism)* (Molina 2006). The coming to power of left-of-center governments in the first decade of the 21st century reinforced interest in comprehensive and equity-oriented social policy.

Pension privatization was at the forefront of neoliberal policy recommendations, but in reality the reforms went all the way from putting existing public systems on firmer financial footing, as in Brazil, to full privatization and a closing down of the public system, as in Chile (Muller 2002). Other countries, like Argentina and Uruguay, kept a basic public tier and privatized supplementary pensions or pensions for higher income earners. Madrid (2003: 16) developed a useful index of degree of pension privatization based on the percentage of total contributions going to the public system and percentage of total members belonging to the private system, which showed Bolivia, Nicaragua, and

Chile scoring highest, followed by El Salvador, the Dominican Republic, and Mexico. He explains pension privatization with the economic burden of pension spending, domestic capital shortages, influence of the World Bank and of economists, and the extent of party discipline in the President's party and his control over the legislature (2003: 59).

Other authors agree on the importance of World Bank influence and of the networks of domestic technocrats in close contact with the Bank (Huber 2005; Teichman 2001) but also emphasize domestic power constellations between proponents and opponents of neoliberal reforms and constitutional structures, such as the existence of the referendum in Uruguay (Castiglioni 2005; Hernández 2000, 2003; Huber and Stephens 2005). Finally, Weyland (2006) emphasizes cognitive processes of decision-makers, arguing that policy diffusion happened because technocrats and politicians working under time and financial pressures took cognitive shortcuts to process lessons from the Chilean example and designed their reforms under bounded rationality.

Reforms in other social policy areas, particularly health and education, were more varied than in pensions. There was no neoliberal blueprint out there similar to the pension privatization model, though the World Bank exerted general pressures towards decentralization of service delivery and greater involvement of the private sector. As Kaufman and Nelson (2004) and the various contributors to their volume argue, reforms in health and education had to deal with more stake holders than pension reforms, particularly among the providers of the services. Typically, these stake holders were well organized, from doctors and hospital associations to teachers unions, and thus had the capacity to exercise effective resistance. Administratively, it is more difficult to design functioning systems to deliver quality health and education than transfers. Accordingly, reforms and their implementation were heavily shaped by the interaction between coalitional alignments, executive involvement and follow-up, and policy legacies that manifested themselves in domestic institutional arrangements and interest groups.

Studies of the outcomes of pension reforms found that they were disappointing in terms of the expected expansion of coverage, the burden of administrative costs, and competition among pension funds, along with equity, solidarity, and gendered impacts (Cruz-Saco and Mesa-Lago 1998; Ewig 2008; Dion 2006; Huber and Stephens 2000; Kay and Sinha 2008 and contributors to their volume). The report commissioned by President Bachelet in Chile highlighted these shortcomings and gave rise to a significant re-reform of the Chilean pension system, expanding coverage for those not covered or having accumulated insufficient funds in the private system (Consejo 2006). Useful review essays are Dion (2008) and Mesa-Lago (2008).

Some studies have looked specifically at social policy reforms and evaluated their gendered impact. In general, they have found that greater reliance on the market and the private sector intensified the disadvantage of women. Women in general are in a weaker position in the market because they have more breaks in their work lives, they are more likely to work in the informal sector, and they are earning less than men in both the formal and informal sectors. Accordingly, contribution-based social insurance leaves them with less protection, and they also have fewer economic resources of their own to sustain themselves and purchase social services. In addition, their reproductive role and their social role as care givers means that they require more health care both for themselves and their children and more support services to be able to combine family responsibilities and paid work (Castiglioni 2005, Dion 2006; Ewig 2009; Martínez-Franzoni, 2008). Whereas in general neoliberal reforms have been detrimental to the interests of women, in some cases greater reliance on NGOs has opened up new opportunities for women to get involved in shaping social policies at the local level (e.g. Ewig 2006).

Origins and Current Impact of Social Policy Regimes: The Evidence

Origins of Effective Social Policy Regimes: Effective social policy regimes should result in low levels of poverty and inequality and high levels of human capital, or at least in significant and sustained movement towards lowering levels of poverty and inequality and improving the human capital base. Of course, the policy regimes should demonstrate their contribution to such an outcome in the form of social spending as a percentage of GDP and the allocation of spending in a progressive manner. By these standards, there are no fully successful social policy regimes in Latin America. To begin with, social expenditures are comparatively low. Average total social expenditures (for social security and welfare, health, and education) in the 1990s surpassed 15% of GDP only in Argentina, Brazil, and Uruguay; Chile, Costa Rica, and Mexico spent between 11% and 14%; the remaining countries spent less than 10% of GDP.

Low spending is intimately related to the weakness of the tax base. As a consequence of trade liberalization, revenue from trade taxes fell; the share of total tax revenue coming from taxes on foreign trade fell from 18% in 1980 to 14% in the mid-1990s. Tax reforms reduced marginal tax rates on personal income and taxes on corporate profits in virtually all cases, and they increased reliance on value added taxes. However, collection rates have remained lower than the statutory rates (Lora 2001), and average tax revenue has remained low compared not only to OECD countries but also to East Asian countries at similar levels of development. Average tax revenue in Latin America, including social security contributions, in 2002 was 16% of GDP, compared to 36% for OECD countries in general and 26% for the US and Japan, the two advanced industrial countries with the lowest tax burdens (Centrángolo and Gómez Sabaini 2006: 53). There are major differences between Latin American countries, Brazil being at the top end with a tax burden that had surpassed 30% of GDP by 2005, but Chile, for instance, remaining at only 18% of GDP.

Correspondingly, outcome indicators of social policy leave much to be desired. All countries have rather large groups that live in poverty, with Uruguay being the only country in the 1990s where less than 10% of households were below the poverty level defined either by a basket of basic necessities (ECLAC) or by the $2 per day in purchasing power parity (World Bank). The economic crisis of the early 2000s in Argentina and Uruguay saw poverty rates there shoot up to 26% in Argentina and 19% in Uruguay in 2005. In that year, Uruguay and Chile had the lowest poverty rates in Latin America with 19%, thus leaving close to a fifth of their populations in poverty. Moreover, almost all countries have rather large groups with access to poor quality education and health care only.

Compared to the rest of Latin America though, Argentina, Chile, Costa Rica, and Uruguay have clearly been the most effective social policy regimes on the basis of both effort and outcome indicators. Brazil is high on social spending but low on the outcome indicators (Huber and Stephens 2005, forthcoming). The four comparatively successful countries exemplify three paths to effective social policy regimes: significant industrialization under populist-authoritarian auspices (Argentina), or democratization with (Chile, Uruguay) or without (Costa Rica) significant industrialization but with the presence of a powerful left-of –center party or coalition (Pribble 2008; Segura-Ubiergo 2007). Quantitative studies have confirmed that length of the democratic record and left strength in the legislature are significantly associated with lower poverty and inequality in Latin America (Huber et al. 2006; Pribble, Huber and Stephens forthcoming).

Reforms and Distributive Outcomes of Social Policy Regimes: A large number of studies have looked at the distributive impact of specific social policies (e.g. de Ferranti et al. 2004; CEPAL: Social Panorama, various years) and a few studies have tried to construct a synthetic view of the distributive impact of the totality of transfer policies in several countries (Lindert et al. 2006). They have uniformly found that social security is highly regressive and social assistance highly progressive, but that social security by far outweighs social assistance and thus gives a highly regressive profile to the totality of social transfers, in stark contrast to the impact of transfers in advanced industrial countries. In education and health, programs focusing on basic education and primary and preventive health care are progressive, whereas expenditures for tertiary education and expensive curative medicine are regressive. Overall and on average, health expenditures are distributively neutral and education expenditures slightly progressive. However, there is considerable variation between countries.

As noted quantitative studies have found that length of the democratic record and long-term strength of left-of-center parties depress both poverty and inequality, but they have also found that these variables do not significantly influence social security expenditures. Rather, social security schemes are hard to modify once put into place, be it by authoritarian or democratic regimes, and they push up expenditures with an ageing population. There is no conclusive evidence about the resilience of different types of social spending in the face of budget deficits. While Huber, Mustillo and Stephens (2008) find that social security expenditures are comparatively more resilient than health and education expenditures, Kaufman and Segura (2001) contrarily suggest that the area of social security transfers (mainly pensions) is the most vulnerable, while health and education expenditures are far less so. Another important finding in terms of social expenditures in the region (and the developing world) is its countercyclical nature (Wibbels 2006). Wibbels found that given the patterns of integration into global markets, where shocks associated with international markets are profound and access to capital markets in difficult times is limited (in comparison with developed nations), Latin American governments have more incentives to balance budgets by cutting social spending, and so are unable to smooth consumption across the business cycle.

Government spending in a democratic context does reduce income inequality; this has been found to be true in a worldwide sample (Lee 2005) as well as for social transfer expenditures in Latin America (Huber et al. 2006). In Latin America, length of the democratic record is highly correlated with strength of left-wing parties. This can easily be explained by the fact that the main alternative to democracy in the second half of the 20th century was authoritarianism of the right, not the left. Right-wing authoritarian regimes repressed organized labor and left-wing parties, whereas unions and parties of all stripes were allowed to form and consolidate under democratic regimes. Left-of-center parties produced redistribution not by overall higher expenditures (no statistical effect on social expenditures) but by the allocation of these expenditures. Of particular importance is spending on non-contributory programs for those outside the formal labor market or with only intermittent connection to the formal labor market. This includes non-contributory pensions as well as income support for working-age families, such as family allowances and conditional cash transfer programs.

Conditional cash transfer programs (CCTs) have become popular in Latin America. As of 2005, at least 9 Latin American countries had introduced a program that provides cash to poor families (preferably the mother) in exchange for keeping the children in school and under regular medical supervision for vaccinations and other preventive care (Lindert et al. 2006). Not all of these programs were introduced by left governments; one of the best known is "Oportunidades" in Mexico introduced by President Fox in 2002[1]. However, the largest of these programs was developed under President Lula da Silva of Brazil; by 2006 Bolsa Familia had grown to reach 11 million families, or over 20% of the Brazilian population, and it was credited with playing an important role in Lula's reelection that year (Hunter and Power 2007). Early evaluations of these programs show that they are not only effective in reducing poverty but also in improving school attendance and health outcomes (Rawlings and Rubio 2003).

Emergency employment programs introduced in the wake of economic crises constitute another important kind of anti-poverty program. Argentine employment programs, in their latest incarnation known as *Plan Jefes y Jefas de Hogar Desocupados,* grew dramatically from 1993 to 2002 to cover 1.5 million heads of household, and they survived into the recovery phase. On the one hand, these programs did play an important role in poverty alleviation, but on the other hand they also became a political tool in the hands of the central government to build alliances with provincial politicians and placate areas with strong protest movements (Giraudy 2007). During the short-lived Alianza government in Argentina, interesting pilot programs were directed at poor women and combined work in public child care with adult education and training. Given the shortage of public day care and pre-school education and the low labor force participation rate among women in general and poorer, less educated women in particular, such programs have a potentially highly beneficial impact.

The left-wing *Frente Amplio* (FA) government in Uruguay launched a particularly comprehensive anti-poverty program in 2007, to replace the two-year emergency social program it had launched upon taking office in 2005. The new *Plan Equidad* is available to all low-income households and includes family allowances contingent on children's school attendance, non-contributory social assistance pensions for individuals from 65 years of age, incentives for attendance in secondary schools, expansion of preschool education, support for employment, nutrition cards, and subsidies for electricity and water costs (Cuenca 2007). Estimates put potential beneficiaries at up to 1 million citizens, or about one third of the population (Campodónico 2007). The Chilean government under Socialist President Lagos launched a similarly comprehensive

[1] The program was based on a previous one, PROGRESA, initiated in 1997.

program, *Chile Solidario*, but on a much smaller scale, directed only at households in extreme poverty, or less than 6% of the population. President Bachelet then attempted to extend the program by incorporating new groups into the program, primarily the homeless.

Universal pre-school education has been on the agenda of progressive governments, both for reasons of preparing children from poorer backgrounds to succeed in school and of enabling mothers to enter gainful employment. Thus, free high quality public preschool education is a means to combat poverty and inequality both in this generation and the next. Latin America has significantly improved pre-school coverage during the last two decades. In 2005, more than 84% of children in the region attended the last year of pre-school education (ECLAC, 2007). In Uruguay, pre-school education coverage of 5-year old children from the lowest quintile increased from 64% in 1991 to 94% in 2007, and coverage of 4 year old children increased from 27% to 72% in the same period (Cardozo, 2008). The gap between the lowest and highest income quintile narrowed from 62 to 23 points for 4 year old children and from 33 to 5 points for 5 year old children. This improvement is mainly a consequence of the expansion of public coverage by the 1995 reform. In Chile, while pre-school education experienced no significant improvements in coverage during the 1990s (ECLAC, 2002), the Bachelet government announced a major expansion, setting the goal of incorporating 180,000 children at the 4 year old level into pre-school education for 2010, the equivalent of 37% of non matriculated children in 2008 (OAS, 2008).

Health care reforms have varied widely, heavily contingent on policy legacies. All of the more advanced Latin American countries have been facing demographic change, with growing elderly populations requiring more health care services. The cutbacks in public expenditures in the wake of the debt crisis had left public systems with severely underpaid personnel, outdated equipment, and facilities in dire need of repair. Significant growth in public health expenditures from the early 1990s on remedied some of these deficiencies but was unable to close the quality gap between the public and private systems. Those who could afford it continued to resort to private alternatives.

The most recent round of Costa Rican and Uruguayan reforms arguably went furthest towards providing high quality health care for the entire population. The Chilean reform aimed in the same direction but encountered stronger private sector opposition, and it remains to be seen how the program will be sustained in practice, given that the mandatory contributions of higher income earners continue to go disproportionately to private insurers and care providers. Under the previous reform implemented by the Pinochet regime, formal sector employees could choose to have their mandatory health insurance contributions go to the public system or a for-profit private provider that could charge additional premiums and discriminate on the basis of risk. Both the Costa Rican and the Uruguayan systems were insurance-based and covered virtually the entire economically active population; contributions in Costa Rica were subsidized for low-income earners in the informal sector. The non-insured poor in all three countries had a right to free care in public facilities. The Costa Rican system had been a unified public one since the 1970s, which means that the poor were served by the same facilities as the insured population, whereas the insured in Uruguay relied mostly on not-for-profit private insurers and providers.

The Costa Rican reform expanded primary care centers throughout the country in order to improve access to health care for all. The Uruguayan reform introduced centralized financing, with public and private providers alike receiving a per capita payment for patients under their care, and those making the mandatory contributions having a choice of providers. The reform also strengthened the network of primary care clinics (Pribble 2008). The Chilean reform under President Lagos guaranteed universal coverage of 56 common illnesses, with co-payments being capped in a progressive manner according to family income, and time limits set within which treatment has to be provided. If the public sector is unable to provide care, treatment in the private sector will be covered. In Uruguay and Chile, the groups that are left out of these reformed systems are the non-poor informal sector workers; in Costa Rica, strong efforts have been made to include them through subsidies for their contributions. In sum, the Costa Rican and Uruguayan reforms go far towards basic universalism, whereas the universalism of the Chilean reform remains confined to the specified set of illnesses.

Brazil's health system illustrates the gap between constitutional rights to universal free health care and the practice of accessibility of services. The Brazilian constitution of 1988 granted this right to all citizens and established a unified public health system like the Costa Rican one, but implementation was left up to the legislature and the Ministry of Health. Little progress was made before the administration of President Cardoso who gave backing to a strong Minister of Health to push forward with improvements in universal basic health care. As a result, indicators like infant mortality, vaccination, and maternal health improved significantly (PNUD 2005). However, despite the fact that they and their employers are required to pay into the public system (in contrast to Chile), higher income earners heavily use private insurers and providers and rely on the public system for the most expensive kinds of care. Moreover, gaps in access to complicated care remain huge across classes and gaps in access even to primary care remain great across regions (Arretche 2004).

The effects that democracy and strength of left parties have on reducing poverty and income inequality work not only through allocation of social expenditures but also through other legislation, such as the level of minimum wages and support for unions and coordinated wage setting policies. In Chile and Costa Rica the minimum wage is an important instrument that can keep a small household above the poverty line. The ratio of median wage for all wage and salary earners to the minimum wage in 2002 was roughly 2.8:1 in Chile (Marinakis 2006: 6) and 2.2:1 in Costa Rica (Estado de la Nación 2004: 409-10). Since 1990, the real minimum wage has stayed roughly constant, with a slight upward trend in Costa Rica, whereas it has increased steeply in Chile; in Argentina it deteriorated dramatically after 2001. In Uruguay, the national minimum wage is not a relevant floor; it deteriorated consistently and strongly from 1985 to 2005, when the FA government doubled it. More important have historically been tripartite wage setting councils, from which the state withdrew under National Party President Lacalle in 1992, but which were re-established quickly by the FA government (Rodriguez et al. 2007). Under the FA government, rural and public sector workers were included for the first time in collective negotiations, and salaries improved in real terms.

Globalization and Social Policy: The debate about globalization and social policy has overcome initial extreme positions, both with regard to advanced industrial and developing countries. As a result of much research, an intermediate position has gained ground which holds that globalization has no direct effects, either negative or positive, on social spending, but rather that domestic forces and institutions serve as mediating factors (see e.g. the contributions to Glatzer and Rueschemeyer 2005).

In statistical analyses, Garrett (2001) in a sample of developed and developing countries, and Kaufman and Segura-Ubiergo (2001) in a set of Latin American countries find negative effects of trade integration (i.e. changes in trade openness) on changes in general government consumption and in social spending, respectively. Kaufman and Segura-Ubiergo also find negative effects of the level of trade openness and of the interaction of trade and capital market openness on changes in social spending. Avelino et al. (2002) find a negative effect of trade openness but a positive effect of financial openness on levels of social spending in 19 Latin American countries between 1980 and 1999. Kaufman and Segura-Ubiergo (2001) find unstable effects of levels of capital controls on changes in social expenditures and weakly positive effects of changes in capital controls. Rudra (2004) finds a positive effect of capital flows on the level of social expenditures in a worldwide sample, and Garrett (2001) finds no significant effect of levels and changes in capital flows on levels of government consumption.

The inconsistency of the findings has several reasons, such as the particular cases and time periods examined, different sets of control variables, different operationalizations of the dependent variables, and different analytic techniques. Arguably the most serious reason is the use of different control variables, in particular the omission of domestic political variables. Results of statistical analyses that include urbanization, democracy, and long-term strength of different political tendencies in the legislature or the executive, indicate that trade openness and foreign direct investment have no effects on social expenditures, neither social security and welfare nor health and education expenditures (Huber, Mustillo and Stephens 2008).

Future Directions in Research on Latin American Social Policy Regimes

The Distributive Impact of Social Policy: So far, comparative studies of the distributive impact of social policies were hampered by the lack of comparability of the data. There are excellent country case studies based on analyses of national household surveys, and some attempts to compare the results of these analyses across countries, but these national surveys use different concepts and/or equivalency scales for household size, which makes strict comparison essentially impossible. Now the Luxembourg Income Study is adding several Latin American countries to their data base, which will be a huge step forward. It will allow systematic comparative examination of the distributive impact of social policies on different social groups (by income level, gender, level of education, geographic location, etc.).

As the foregoing discussion has made clear, many of the social policy reforms are of relatively recent vintage. This is particularly true for the ambitious re-reforms of the transfer systems and the health care systems in the countries ruled by left-of-center governments in the first decade of the 21st century. As these programs are fully implemented, much research will undoubtedly be directed at their functioning and distributive effects both on income and human capital. For instance, as the CCTs become more widespread and longer in duration, there will be a broader range of experiences and actual human cohorts to study systematically.

Nexus to Labor Market Policy: It is clear that overcoming poverty requires employment, both at the individual and the societal level. At the societal level, the transition from ISI to the neoliberal model caused deindustrialization, a loss of jobs in the formal sector, and rapid growth of informal employment. Even in the post-adjustment period, job growth was concentrated in the informal sector, with low productivity and therefore low wages (Tokman 2002). The commodities boom starting in 2004 stimulated growth in the Latin American economies, but it did little to improve the structural weaknesses of Latin American economies. Most governments remained reluctant to engage in industrial policy, and private sector initiatives for productivity increases are few and far between. Research into options for job creation linked to active labor market policies to make qualified workers available will be an essential component of the entire welfare state research program in Latin America.

In the area of labor market policy, governments have had great difficulty making the transition from traditional forms of employment protection to more flexible labor markets and policies that would still protect workers from falling into poverty with their families. Unemployment insurance is a new feature and has been introduced in only some Latin American social policy regimes, and even where it exists, coverage and benefits are very small. Active labor market policies in the form of job training and support for job placement are few and far between. Some pilot programs have linked CCTs with labor market training and jobs in the public sector. This is clearly an important direction both for practical policy experiments and for research.

The Politics of Social Policy: Another major area of developing research is the comparative analysis of political struggles over specific policy initiatives. Understanding these struggles is important both theoretically, to help scholars build better models of welfare state development in Latin America, and practically, to help governments committed to welfare state construction build the most effective political alliances. As more materials, such as legislative debates, party positions, and newspaper archives become available on line, the details of the politics of policy will become more amenable to systematic comparative analysis. These kinds of data sources will never substitute for interviews with those directly involved in the struggles, but they will constitute the basis for triangulation of information and for systematic testing of generalizations.

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