Three welfare regimes, three critical paths to strengthen redistribution

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1. Introduction

Social policy may promote or deter collective action as well as informal networks, organizations and parties that support democratic processes and place distributive matters in the political (rather than merely technical) arena (Filgueira, 1998). According to Pearson, far more than in the era of welfare state expansion, current struggles over social policy have become struggles over information about the causes and consequences of policy change, that is struggles over policy strategies. As I show below, the effects of social policy upon distribution differs across welfare regimes as does the role of distributional coalitions behind these policies.

Esping-Andersen identified three distinct patterns of state intervention in the advanced capitalist countries of the North: social democratic, liberal and conservative. In each case, the state intervened through social and (to a lesser extent) labor-market policies to reduce inequality (both between individuals and across the life-cycle), but the form of that intervention differed in terms of the scale of public expenditure and the extent to which the state displaced the market and family in determining the incomes and welfare of its citizens. At the end of the twentieth century, these different clusters of states responded differently to fiscal, demographic and political pressures (Esping-Andersen 1999, 2002).

“A welfare regime can be defined as the combined, interdependent way in which welfare is produced and allocated between state, market and family” (Esping-Andersen 1999, 34-5). Across welfare regimes Korpi and Palme (1998) showed a close relationship between the size of the budget for redistribution (i.e. the public welfare budget) and the extent of income redistribution through transfers and direct taxation (measured through the reduction in the Gini coefficient). The social democratic welfare regimes tended to spend more and redistribute more than the conservative welfare regimes of continental Europe, which in turn tended to spend and redistribute more than the liberal welfare regimes (see also Huber and Stephens 2001, Milanovic 1999, Przeworski and Gandhi 1999, Bradley et al. 2003 in Seekings, 2008a). Redistribution reflected class alliances leading to the central role of left-wing parties in social-democracies, of social-Christian parties in conservative welfare regimes, and of liberal parties in liberal welfare regimes.

According to the power resource approach, class coalitions are a necessary condition to promote redistribution as well as policy change. Such coalitions are fairly different across welfare regimes (Esping-Andersen, 1990). The interactions and links between social policy and class formation increase the complexity of the analysis. Class formation shapes social policies and these, in turn, have re-stratification effects other than merely de-stratification ones: public policies have enduring histories. Although neither rigid nor immutable, conditions behind distinctive welfare regimes and the effects these regimes produce influenced the ways in which they later evolved (Seekings, 2008a). Policy feedback stresses the need to “incorporate historical analysis into the study of contemporary politics... today’s policymakers must operate in an environment fundamentally conditioned by policies inherited from the past” (Pierson, 2000:9).

Historical trajectories are also central to the Latin American context. Prior to the economic crisis of the 1980s and the implementation of the import substitution model, there were countries that - although stratified - were relatively universal social States (such as Argentina, Chile, Costa Rica and Uruguay); and others that were a combination of stratified universalism in urban areas and exclusion among rural sectors (such as Brazil and Mexico); and others with exclusive States (Filgueira, 1998). During the past
two decades policy reforms under the so-called “Washington Consensus” promoted the privatization, decentralization and targeting of social policies (Filgueira, 1998) as reflected in the “Chilean/World Bank model” (Seekings, 2008a) across policy sectors. At the same time, welfare provision has been extended to the poor in other parts of the South, especially through social assistance schemes (including ‘conditional cash transfers’) or other moves in the direction of a guaranteed or ‘basic’ income” (Seeking, 2008)\(^1\). By excluding the middle class and the non-poor, these programs were - and continue to be - effective in reaching the poor. By the same token, however, they give way to beneficiaries with low or no political capital (Filgueira, 1998) or - drawing from Hirschman - “voice” to organize and channel their social demands\(^2\). The reason is simple: along with economic deprivation comes the scarcity of other resources that are necessary for autonomous organization (O’Donnell, 1999). The struggle to survive makes collective mobilization difficult.

In addition, economic re-structuring has produced a diversification of the middle class across the region. Part of the middle class has experienced downward mobility: public servants (which were the backbone of the urban middle-class under the import substitution model), salaried professionals and other skilled workers were displaced by adjustment policies (Portes and Hoffman, 2003). Many became self-employed and lost “voice”. Conversely, a small portion of the middle-class – such as senior professionals of multinational corporations – experienced upward mobility and ceased to utilize many public goods. Ghetto neighborhoods and increased use of private education and private health-care are but a few manifestations of these changes. In Costa Rica, for example, between 1986 and 2004 the upper-middle class and the upper-class distanced themselves from the middle and middle-lower classes (Vega, 2007). As a result of similar trends across the region, cross-class coalitions may experience decreasing proportions of middle-class populations. (O’Donnell, 1999).

Distributional coalitions should include some segment of the middle-class so that their “voice” and political capital are available to the broader distributional process. However, under targeted policies, the middle-class and its “voice” have been excluded from social policies and therefore, from class coalitions and aggregation of demands that, for example, could help the poor ensure that services are provided based on rights rather than need – something that would be as valuable to the poor as to the middle-class. Targeted programs that have replaced collective goods (which demanded cross-class coalitions) engender actions that are politically regressive (Filgueira, 1995).

However, the formation of coalitions around targeted programs should not be dismissed off-hand (Seekings, 2008b). The argument is twofold. First, means tested programs were successfully introduced in the pioneering Anglo world (including South Africa) only because they appealed to constituencies other than just the poor. Secondly, the support base of a 'targeted' program depends on just how targeted it is: in the extreme case (e.g. the South African old-age pension), targeting excludes only a small, wealthy minority (in this case, approximately 10%), so it would be expected that the program appeals to a wide range of classes.

To counterbalance elites and their powerful resources, progressive parties should create distributional coalitions made of an extensive array of actors. The nature of the programs –whether targeted or universal –is key for distributional coalitions. Targeted policies are less likely to lead to distributional

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1 In addition, as Filgueira is fond of pointing out, there is good news for countries where social policies have been liberalized yet States remain strong: it is a liberal route what moves countries to social-democracy (as opposed to a corporate one). In other words, unlike stratified corporatism, the liberal route may be expanded into universal policies.

2 In countries with less human development in the region, if the poor were truly and effectively targeted within genuinely democratic contexts, this problem would be mitigated due to their sheer numbers and their resultant voting strength.
coalitions while universal policies are much more likely to lead to them. Where targeted and universal policies are integrated - although the problem persists - there is not the same level of absolute insecurity seen in countries with little or no universal policies or universalized sectoral coverage (Filgueira, 1998).

The question is whether this is true across-the-board. The literature for the OECD countries indicates that distributional coalitions are a requirement for redistribution and if this is the case in Latin America as well - given the spread of targeted programs in the region - the future looks grim for redistribution. However, as this paper seeks to demonstrate, both the nature of the programs and the policy dynamics under the various welfare regimes are factors in determining the relative weight of distributional coalitions in redistribution. In other words, these may or may not be critical to expand the redistributive effects of social policies.

During the wave of reforms which accompanied structural adjustment, Latin American policy makers sought to isolate policy changes from social demands and pressure groups (Montecinos and Markoff, 1993; Centeno, 1994). This isolation led to a “technocratization” of policy formation: largely under authoritarian governments (as in Chile or most of Central America) or under economic shocks (as in Argentina), social policy reforms tended to be removed from the realm of politics to the realm of technical expertise. The switch may have had managerial gains but, overall, led to withdrawing reforms from democratic politics. The question is, when seeking redistribution, how important technocracies are, either along with, or instead of, distributional coalitions.

The literature on the OECD countries is much more extensive regarding the foundational stage of redistributional coalitions than it is for analysis of the defensive or transformative processes (Filgueira, 2008). However, as Pierson states, retrenchment does not emulate expansion: while expansion concerns credit-claiming, retrenchment involves the imposition of concrete losses on a concentrated group of voters for diffuse and uncertain gains (Pierson, 1994).

Thus, Pierson contends that in developed countries, “retrenchment (only) occurred where supporting interest groups were weak, or where the government found ways to prevent the mobilization of these groups’ supporters” (Pierson, 1994:6). However, in order to understand the politics of retrenchment, policies must be disaggregated: system-level variables, such as the structure of political institutions or the strength of the political left – factors usually stressed by welfare state theories –, cannot alone explain variations within the system (Pierson, 1994).

Today, Latin American countries are at varying crossroads. Some countries are still downsizing social policies and expenditures while others - under a post Washington consensus viewpoint - are expanding both policies and expenditures. Others still, are struggling to implement policies for the first time. Path dependency, parties, distributional coalitions, technocracies and system vis-à-vis sector-based change is dependent on each particular case. For instance, Huber and Pribble find that left-wing governments have reduced poverty and inequality in both Chile and Uruguay. However, the policy initiatives of the Frente Amplio in Uruguay have been more ambitious than those conducted by the Chilean socialist party under the Coalición de Partidos por la Democracia.

These authors “contend that the differences between the two countries are accounted for, in part, by variation in the historical evolution of the two left parties, which has shaped the preferences of the leadership and the organizational structure of the parties, and in part by the nature of the political opposition, namely whether the left government faces a strong right party (or alliance) that enjoys direct ties to a unified business sector. In addition, the two governments face different policy legacies,
with a much stronger role for private providers in health, education, and pensions in Chile.” (Huber and Pribble, 2008:2). To what extent do social policies currently contribute to redistribution in Latin America and what has been the role of distributional coalitions in promoting redistribution? As this paper shows, various social policy regimes may have differing outcomes on poverty reduction and inequality. These outcomes help to identify, not only “best” or “worst" policy designs, but also the role of distributional coalitions in accomplishing redistribution. Rather than dismissing explanatory factors such as the universal or targeted nature of programs, or the ideological leaning of political parties in office, this paper explores the intervening role of welfare regimes.

2. Welfare regimes and social policy regimes in Latin America  
“One of the grounds on which the ‘three worlds’ typology was criticized was its failure to address the role of family or kin in caring for poor people” (Seekings, 2008a). Due to the relative newness and limitations of both the (modern) state and the market, family and female unpaid work has historically played a major role in providing for the poor as well as the non-poor. In the early 1990s the World Bank estimated that only 30% of the world’s elderly were covered by formal arrangements, and only 40% of the world’s working population participated in any formal arrangements for their future old age (World Bank 1994)” (Seekings, 2008a). In a region where policies are frequently weak, we should not overestimate their role for redistribution. Instead, we must consider that social policies exist within a context of broader welfare regimes – that is, a broader constellation of interactions between domestic and international markets, families and collective allocation of resources, to a large extent not state-led but run by community and international organizations.

As Gough (2004) previously argued, empirical evidence suggests that current welfare regimes in the global South are all largely informal: and with labor markets that are unable to provide sufficient formal jobs, coupled with weak public policies the distinction between market, public and family-led allocation of resources has become unclear. Latin America follows this path and, as such, clearly departs from the most studied welfare regimes found in the global North. In Latin America, a large proportion of the population cannot commodify their labor force and citizens either self-employ or emigrate to earn resources for remittances. In addition, public policies are weak or non-existent in allocating collective resources.

The region copes with a weak distribution, and an even weaker (or non-existent) State redistribution. Consequently, families and female unpaid work play a key role in displaying survival strategies of self-employment and the production of goods and services 4. In addition, there are qualitative differences in the region in terms of how markets, public policies, and unpaid work combine for risk management. In a previous study, I first consider the extent of commodification of the national and transnational labor force, and the access to income that it implies. Second, I looked into the degree to which individuals’ wellbeing does not rely on their purchasing power, that is, decommodification. This is where social policies may play a key role. Third, I explored the degree to which welfare does not depend on the availability of unpaid female work, or defamilialization. Cluster analysis pointed at three primary welfare regimes depending on whether markets, policies or families are the primary engines for risk management as shown by Chile, Costa Rica and El Salvador, respectively (see diagram below). Diagram 1 about here

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3 This section draws from Martínez Franzoni (2008a).
4 Instead of creating a growing differentiation between the spheres, as expected from economic and social modernization, we witness a more ambiguous process of resource allocation. In seeking to compensate market and State “failures” boundaries between public and private, formal and informal rationales for resource allocation become blurred.
As the figure shows, there is cross national variation in terms of whether domestic labor market can more or less effectively absorb and remunerate the labor force (see upper-left cells)\(^5\). The countries also vary in terms of the family strategies used to face these labor markets. Finally, the relative importance of the traditional nuclear family, made up of a male-breadwinner and a female-caregiver varies (see lower cells). Female income providers, extended households and/or female-headed households are spread across the entire region.

However, their relative importance sets apart countries with familial, from market and State welfare regimes. The table below summarizes key features for risk management under each Latin American welfare regime. Table 1 about here. Our findings broadly confirm previous policy-based typologies elaborated by Filgueira (1996, 2004) and Huber and Stephens (2005). However, findings also complement previous analysis by incorporating families and the sexual division of labor while drawing from available national statistics.

In short, all Latin American countries are, to some extent, informal: most people cannot be expected to cope with social risks through their participation in labor markets or their access to public goods and services. Thus individuals are required to rely a great deal on family and community arrangements, largely based on female unpaid work\(^6\). The more people deploy private and family-led survival strategies coupled with little or no experience or expectations of State’s role in their well-being, the less likely are distributional coalitions to emerge. Thus, we expect distributional coalitions to be less likely in El Salvador than in Chile or Costa Rica. In addition, unlike Costa Rica, Chile has stressed the role of targeted vis-a-vis universal policies, the upper class and a large portion of the middle-class relies on the market rather than on public transfers and services. Therefore, we would also expect distributional coalitions to be stronger in Costa Rica than in Chile.

Before discussing empirical evidence to show whether this is in fact the case, the following section addresses how social policies distinct to each of the three welfare regimes already described, re-shape income distribution. Have they reversed, worsened or maintained primary distribution?

### 3. Social policy regimes and distribution: do they make a difference?

How have social policy regimes re-shaped social structures? Have they reversed or maintained primary distribution? The remainder of this paper will focus on Costa Rica, Chile and El Salvador. These three countries are not representative of other countries clustered in the same welfare regime. However, they are indeed emblematic of each welfare regime and their contrasting features are based on explicit criteria\(^7\).

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\(^5\) See Martínez Franzoni (2008) for a detailed description of the 38 indicators used and the statistical analysis applied.

\(^6\) This familialism is qualitatively distinct from that of European and North America countries. There, familialism is a more specific concept, referring to countries in which families are expected to almost exclusively take on the responsibilities of care work. In the case of Mediterranean Europe, for example, the role of the State in terms of care is relatively small as compared to the role of the family. These countries are distinct from other European countries, in which a large share of the care work is left to the market (such as the case in the United States) or to public social programs (such as in Sweden). In contrast, in Latin America, we find ourselves confronted with a much broader notion of familialization. Families are expected to not only take on the responsibilities of care work, but also to transform themselves into productive units and networks of social protection, particularly due to the weakness or disappearance of the boundaries between the different practices of resource allocation. This broadening of family roles involves changes in gender roles.

\(^7\) These three countries are also a case study for a larger research project being conduct by Martínez Franzoni and Voorend at the Institute of Social Research (University of Costa Rica) which addresses the complex interrelations between welfare regimes and gender orders.
3.1 Primary distribution

In order to establish distributional outcomes of social policies, it is necessary to first look at primary distribution, that is, to distribution prior to the intervention of tax and social policies. Gini coefficients are the most frequently used measure of inequality. However, they usually measure post rather than pre-tax and social policy transfers. Another method is to determine the distribution of income among population groups, such as the poorest 20% and continuing up until the 20% highest income group (see Table 1).

When comparing current primary distribution across-countries, the share of primary distribution by the poor (quintile I), the middle-low income group (quintile II) and the middle-middle income group (quintile III) is currently somewhat similar in Chile and Salvador and fairly close in Costa Rica (4, 8 and 12-13%, respectively). The share among the wealthy (quintile V) shows some variation, with Chile and El Salvador with the highest income concentration (57 and 56%, respectively) and Costa Rica the lowest (52%) which, in turn, makes for a larger share of the middle-upper income group (quintile 4) in Costa Rica than in Chile or El Salvador. By the same token, in Costa Rica the poorest 60% of the population receives 28% of all national income, while in Chile and El Salvador, it receives 24%.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>I (poorest)</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>1996</td>
<td>3,9</td>
<td>8</td>
<td>11,8</td>
<td>19,2</td>
<td>57,1</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>19</td>
<td>57</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1986</td>
<td>5</td>
<td>12</td>
<td>17</td>
<td>25</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>4</td>
<td>9</td>
<td>14</td>
<td>22</td>
<td>52</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2002</td>
<td>3</td>
<td>8</td>
<td>13</td>
<td>21</td>
<td>56</td>
</tr>
</tbody>
</table>

Sources: ECLAC 2001; 2005.

Data show that in Chile, between 1996 and 2003, income distribution remained the same. In Costa Rica, between 1986 and 2000, however, income distribution worsened: the richest 20% of the population gained 10% of the total national income, while the rest of the population lost either 1% (quintile 1) or 3% (quintiles 2, 3 and 4). The working and middle classes were the primary losers during the period. In El Salvador, income distribution slightly improved, as is shown below, largely as a result of emigration and remittances. It is noteworthy that the 2007 Census data – still not official – established that the population of El Salvador is one million less than expected (La Prensa Gráfica, 2007).

If the distribution of monetary income is observed on its own the differences between countries are not that significant. However, class composition does show important cross-country variation. These differences are also relevant, as, “in order to arrive at judgments regarding possible political alliances. Since social policies have to do with conflicts over re-distribution, “classes are... central for understanding the long term strategic relations of power and conflict among social groups and the forms in which these struggles shape the relative life chances of its members” (various authors in Portes and Hoffmand, 20003).

In addition, since in each society some groups want to either preserve or improve their privileges, class analysis directly leads to discussing politics and political mobilization (Portes and Hoffman, 2003). Therefore, as a starting point, we need to analysis more than mere income levels. Interpreting political preferences from income levels is a-sociological: classes need to be delineated as potential political actors and the construction of class interests ought to be understood (Huber, Pribble and Stephends, 2008).
Defining classes as groups with a social structural position, Portes and Hoffman (2003) document that the social structure is indeed more pyramidal in El Salvador than in Chile and Costa Rica (Table 2). At the top (overestimated by including professionals), we find twice as many people in Chile as in El Salvador. The opposite occurs at the bottom of the social structure, where the informal proletariat – with no job security or social protection - account for 34.9% in Chile and 50% in El Salvador. Table 2 about here

According to these data, the proportion of the population with little or no “voice” for influencing distributive matters would be considerably higher in El Salvador than in Chile and Costa Rica. Even so, in both countries, “the informal and manual working class sectors of society make up more than 60 percent of the working aged population, while the (sociologically defined) middle sectors – the non-manual formal sector and the petty bourgeoisie – for about 20-25 percent of the working aged population. Therefore, the challenge for policy-makers interested in building a majority coalition... is to enact programs than respond to the risks faced by informal sector workers and formal manual workers.” (Huber, Pribble and Stephends, 2008:25) while dealing with demands made by the smaller yet much more powerful middle and upper classes.

We will now turn to secondary distribution and observe to what extent it helps to decrease the social stratification.

3.2 Distribution upon social transfers and services: higher in Chile and Costa Rica than in El Salvador

Does secondary distribution – whether due to tax systems or social policies – show cross-national variation? In this paper, social policy is understood as the constellation of key policies involved in social services and transfers, primarily related to education, health-care and transfers (such as social insurance and social assistance) 8.

To determine how social policy re-shapes social structures as defined by primary distribution, the social structure before and after social transfers and services should, ideally, be compared. Post transfer measures consolidate both monetary and social income – i.e. transfers and in kind services. Graph 1 presents data for all three countries. Graph 1 about here

Chile and Costa Rica have similar outcomes: social expenditures improve income distribution: 0.8 in both Chile and Costa Rica. On the contrary in El Salvador, social expenditures play a much less significant role in improving income distribution (0.3). Table 3 shows the effects of social expenditures based on a quasi Gini coefficient (a coefficient similar to the Gini which varies from 0 to 1: the higher the value the greater the inequality). The good news is that in all three countries, social spending improves income distribution. However, it does so in varying degrees: higher in Chile and Costa Rica than in El Salvador.

In the first two cases the distribution improves by 8 points in both cases, (from 0.45 to 0.37 and 0.43 to 0.35 in Chile and Costa Rica, respectively), but much less in El Salvador (where the ratio improved by only 3 points) 9. Inequality measured in synthetic terms – that is, in terms of the gap between those with more and those with less – shows that the welfare system does not make a difference in terms of

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8 For taxation, the other key policy component for redistribution, see chapter by Mahon.
9 In the case of El Salvador, the question arises as to whether social spending could be relieving non-state sources of resource allocation.
distributional effects: both Chile and Costa Rica, with their market (productivist) and State (protectionist) emphasis, respectively, had similar results. However, the regime does have an effect on how social spending is distributed and, therefore, for whom in the social structure that spending makes a difference. According to the data presented, the distributional effects of social spending are being felt in a wider range of social structure in Costa Rica than in Chile, a direct result of higher levels of corporatization in Chile than in Costa Rica. Table 3 about here

Regrettably, cross-time data is only available for Costa Rica. The table below demonstrates how social policy buffers income distribution, particularly by increasing the share of total income of quintiles 1 and 2 (from 4 to 7 and from 9 to 11%, respectively) and decreasing the share of quintile 5 (from 51 to 46%), while quintiles 3 and 4 remain basically the same. Data presented in table 3 indicates that if pre and post transfer Gini coefficients are compared, the latter (post) is much lower than the former (pre). Table 4 about here

Noteworthy, these data contradict the expectation that universal policies dramatically alter the life chances of middle class (which, if we consider Portes and Hoffman would fall under quintile IV). Social expenditures increase the life chances of the poorest 60% of the population (more so in the lowest 20% than in the lowest 40 and 60%). However, quintile IV does loose with redistribution.

The allocation of social expenditures is a proxy measure useful in addressing the distributory effects of social policy regimes. Unlike the previous indicator presented for Costa Rica, this measure does not combine monetary and social income. Nonetheless, it does provide insight into the extent that social expenditures redistribute resources from higher to medium and lower income groups\(^\text{10}\) (see table 4). Data do not include social security which, while available for Costa Rica, is only partially available for Chile (2003) and not available for El Salvador\(^\text{11,12}\). Table 4 about here

Therefore, we are here limited to the data that excludes social security, which is an unfortunate and serious limitation, of which we are aware\(^\text{13}\). Again, Chile shows a rather stable situation over time. In addition, it behaves as expected provided the central role of social policy targeted at people in need, that is, to low income groups.

At the highest quintile individuals access a very small share of social expenditures. This becomes neutral in the quintiles IV and III and increasingly redistributive in quintiles II and I. If distribution depends on political power which relies on social demands - or at least social support by a more or less broad set of income groups and social classes - such distribution would not be expected in Chile.

\(^\text{10}\) The progressiveness of social policy is either positive or negative depending on policy design. That is, the more universal policies are the less positive progressive outcomes.
\(^\text{11}\) For Chile data do not allow cross-time analysis.
\(^\text{12}\) English editing up to here.
\(^\text{13}\) As Seekings pointed out when reading a previous version of this paper “Including and excluding social security is methodologically difficult when you are comparing countries that have socialized versus what I call semi-socialized systems. In South Africa, for example, standard data exclude social security, although there are many statutory obligations and restrictions on ‘privatized’ contributory systems, and there may be extensive socialization of risk at the industrial level even if not at the national level.” (Personal communication, April 2008).
Unlike Chile, Costa Rica does show important change over time, particularly among the highest income group (quintile V). According to 2003 data, the allocation of social expenditures among income groups is fairly uniform and – even though social security is not considered – it does reach the highest income group. From these data one would therefore expect more appropriate conditions for broader cross-class coalitions in Costa Rica, than in Chile and El Salvador.¹⁴

Provided the central role of collective pension funds in Costa Rica (absent or marginal in Chile and in El Salvador since pension funds were privatized), it is worth comparing the allocation of social expenditures with and without social insurance. Considering social security expenditures, policy is less progressive since the highest quintile gets more (15 instead of 7%) and the lowest quintile gets less (25 instead of 33%) than without social security.

El Salvador does allocate resources as expected for a country with very basic and targeted social services, yet – from a liberal perspective – it could be more progressive. Indeed, social expenditures do redistribute among the lowest income groups (more than Costa Rica yet less than Chile) but also reach middle income groups (quintiles III and IV) quite considerably. According to these data middle income groups are expected to have vested interest in social policies, particularly, as shown below, in social insurance for healthcare. Of course, it is important to keep in mind that El Salvador allocates much less resources to social policies than Chile or Costa Rica (see below).

In short, if distributional coalitions and aggregation of social demands were mechanically drawn from the allocation of social expenditures we would expect to find what is summarized in Box 1.

| Box 1. |
|------------------------|------------------|
| Expectations that social policy regimes promote distribution | Country | Criteria 1: allocation of social expenditures across income groups |
| | Chile | Low |
| | Costa Rica | High |
| | El Salvador | Medium |

However, as shown below, the potential for social expenditures to lead to distribution is not only a function of to whom resources are allocated, but also of the relative weight of social income for individuals’ total income, the magnitude of resources involved, and their allocation criteria.

### 3.3 To whom does social policy redistribute resources?

For each country, Table 5 shows, first, the relationship between social income and primary income and second, the relationship between social income and total income. Among lower-income households (quintile I) social income amounts to 60% of primary income in Chile, to 50% in Costa Rica, and only to 38% in El Salvador –although the Salvadorean per capita income is the smallest of the three countries. When examining total household income, we see that social income represents 38% of total income in Chile, in Costa Rica it increases to 50%, and in El Salvador, falls to 28%. In other words, in quintile 1, social income has greater weight in Costa Rica than in Chile.

At the other end of the social structure, for the V or richest quintile, social policy is irrelevant in El Salvador, almost irrelevant in Chile, and only slightly relevant in Costa Rica. The problem here is that, if we consider the 60% of the highest income population in El Salvador, social income matters

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¹⁴ Distributional coalitions and agendas pushing for social demands are also contingent on the various income groups’ expectations of the State’s role. Such expectations may be weaker in El Salvador than in Chile.
very little or does not matter at all. In Chile on the other hand, and even more pronounced in Costa Rica, this statement only applies to the richest 20% of the population. Social spending in El Salvador is smaller than in Chile and Costa Rica (see below). The high relative weight of social income, particularly for those with the lowest income, is due to the also very low monetary income. Indeed, in 2006 the GDP per capita stood at 5,873 in Chile, 4,780 in Costa Rica and in 2,181 in El Salvador, as dollars of 2000 (ECLAC, 2007).

If the coalitions and distributional agendas were developed depending on the relative importance of social spending for the population, as emblematic of each welfare regime, these three countries should show distinct probabilities and breadth in terms of these coalitions (see box 2).

<table>
<thead>
<tr>
<th>Country</th>
<th>Criteria 2: Relative importance of social policy across income groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>High and broadest</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>High and narrower</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Low and narrowest</td>
</tr>
</tbody>
</table>

4. How many resources does social policy allocate?

While presenting the following characterization it is important to remember the reason behind the analysis, that is, the distributional effects of these policies and, particularly, whether they “freeze” the social structure or promote change and if so, in which direction. What are the fiscal and public efforts as well as the actual amount of resources involved in the respective social policy regimes?

Since Esping-Andersen’s publication (1990) on the three worlds of welfare capitalism, analysis of welfare regimes switched from the concern over the amount of resources mobilized by social policy, to the eligibility criteria for such resources. This emphasis on the allocation criteria instead of the amount of resources is valid when the amount is relatively homogenous and is “reasonable” when related to the total income of individuals (Filgueira, 1998). However, neither condition applies to Latin America, where the range of variation of investment per capita is just over U.S.$60 per year in Nicaragua (a figure that is below any standard of reasonableness for impacting the social structure), to over U.S.$1,000 in Argentina.

Following will be a comparison of the three selected countries, first in terms of fiscal and public strength, and then by the actual magnitude of allocated resources.

4.1 What is the fiscal and public effort made?

Although Costa Rica shows a higher fiscal effort, both Chilean and Costa Rican state welfare regimes evolved similarly over the period with both countries increasing their fiscal efforts (graph 2). In Chile, from 1990 to date, the Executive has run by a center-left coalition (the Coalition of Parties for Democracy), first with presidents from the Christian Democrats and later the Socialist Party. The opposition, in turn, has been in the hands of the right. The rationale of the reforms has been to transform a regime of social liberalization policy introduced during the previous decade under an authoritarian government. The country expanded social expenditures most drastically during the second half of the 1990s and more staggered later on. Graph 2 about here

In contrast to Chile, in Costa Rica two majority parties (that operated under a bipartisan political system) alternated in government until 2002. These two parties, social Christian (PUSC) and social-democratic (PLN), ruled as part of a political pact that was strong in economic rather than social policy.
Social spending increased during the PLN administrations and fell during the PUSC administrations that paid less attention to social expenditures and who made unsuccessful attempts towards a more Chilean-like social policy regime. The reforms in social policy regime include a high degree of inactivity and recovery of pre-crisis social policy rather than radical changes. Therefore there is a clear contrast between the structural economic transformation that the country experiences during the period, and the permanence, with additions and changes, in social policy.

Since before the Peace Accords in 1992, the Salvadorian government has been run by the right-wing Nationalist Republican Alliance (ARENA for its Spanish acronym), with a strong political opposition from the left. Former guerrillas, the Farabundo Marti Front for National Liberation (FMLN) were transformed into a political party and participated for the first time in the elections of 1994. The reforms in the social policy regime are marked by the end of the war, the peace accords and the transformation of the guerrillas into the main opposition force in the country. Given the starting point, they also have a logical foundation, hand in hand with making changes that accompany the structural transformation of the economy.

As a familialistic welfare regime with a residual social policy regime, El Salvador falls far behind the other countries. Regrettably, there are difficulties with data prior to 2000. In a different dataset for five-year periods, ECLAC shows that for 1994/1995 El Salvador spent 4.6% of its GDP on social policy. This limited available data does show an increase of social security (contrary to health care and education) which, however, was privatized since 1998. Comparative data is available up to 2004. Therefore, in the case of El Salvador data misses a monetary conditional transfer (Red Solidaria). This program has three components: monetary transfers, expansion of basic infrastructure (including schools and health care centers) and productive initiatives (the weakest of all three components). Transfers alone represent approximately 7% each year of all social expenditures registered for 2003.

In 2001 El Salvador suffered two earthquakes which demanded resource mobilization for reconstruction, and which reflected an increased proportion of GDP devoted to social expenditures, primarily to restore previous infrastructure. Nevertheless, the percentage of GDP devoted to social policy is clearly insufficient and it is only slightly more than what Chile and Costa Rica spend on only one policy sector (such as health care).

Fiscal priority matches the level of public priority (graph 3). With between 65 and 68% of their public expenditures devoted to social expenditures, Chile and Costa Rica are clearly clustered and set apart from El Salvador where social expenditures reach only 40% of total public expenditures. This means that in Chile and Costa Rica - for the 60 and 80% lowest income groups of the population - social policy plays a much more important role in improving life chances and dealing with social risks, than in El Salvador. At the same time, over the period considered, the relative weight of social expenditures increased in all three countries (8% in Chile; 7% in El Salvador; yet only 2% in Costa Rica, where in 1991, social expenditures were already higher than in Chile). In El Salvador, however, the starting point was so low that having increased expenditures by 8% - although demonstrating distributional changes - is still far from enough to meet social demands. Graph 3 about here

4.2 What many resources do social policies allocate?
Countries with welfare State regimes have managed to decommodify life chances to a much larger degree than familialistic ones. The actual amount of resources (per capita) allocated to social transfers and services is similar in Chile and Costa Rica, and considerably lower – less than a quarter – in El Salvador (graph 4). This is the conundrum concerning social expenditures; El Salvador - as all other countries with familialistic welfare regimes - encounters a huge gap between social demands (usually
higher than in state welfare regimes) and available resources. Looking at how social expenditures have evolved in each country, increases have taken place in Chile and Costa Rica yet remain the same in El Salvador. Provided that in El Salvador earthquakes demanded resources for reconstruction, constant social expenditures actually meant more demands with the same resources.

The outcome was, for instance, rebuilding a health care center rather than purchasing medicines; or rebuilding schools rather than improving equipment (Gallardo, 2008). What happens in El Salvador is recurrent among countries with familialistic welfare regimes, were disasters caused by natural events are more likely to turn into social emergencies as also shown by Hurricane Mitch in the later 1990s.

Degrees of commodification of social services vary across countries. Using health care as an example, in Costa Rica private expenditures are only 30% of public expenditures while in El Salvador and Chile, “out-of-pocket” private expenditures are 1.2 times more than public expenditures. The Salvadorian situation is even more striking if we consider that the Latin American average for the relation between private and public expenditures is 50.7% (Márquez Ayala, 2007).

In Costa Rica private expenditures have increased, although they are still much lower than in Chile and El Salvador. Although clearly not the only factor affecting social policy, it has had direct and indirect effects on the higher degrees of commodification that have occurred in health services. Among the direct effects was the creation of a pillar of supplementary individual capitalization in pensions. Among the indirect effects was the increase in out-of-pocket private spending on education and health, which doubled between 1991 and 2005.

In addition to a larger supply of private healthcare services, the increase is due to a drop in the quality of public services (yet not in coverage, except for secondary education). Thus, while government spending continues to be several times larger than private, the latter grows faster than the former (Herrero and Duran, 2005).

### 4.3 Implications for distribution

In El Salvador the degree of social spending is low and the relative weight of other forms of access to goods and services, such as family remittances and - to a much lesser extent – collective remittances, threaten to create conditions that will enable broad distributional coalitions. In fact, the relative weight of family remittances is accompanied with a private, rather than collective, risk management. Although to a much lesser extent (and therefore not estimated), the use of remittances for public goods also plays a role, even from the Salvadoran government.

In Chile and Costa Rica, however, we are dealing with an important social income for between 60 and 80% of the population. In Costa Rica the scope of social income is somewhat broader than in Chile and in both Costa Rica and Chile, considerably broader than in El Salvador. Box 3 summarizes the expected relationship between social policy regime and distribution from the combination of scope and importance of social income relative to household.

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15 Own estimation drawn from World Bank (2006) data.
16 For developed countries estimations point to 35.4% (PAHO, 1994; update source).
### Box 3.

<table>
<thead>
<tr>
<th>Country</th>
<th>Criteria 3: Amount of resources allocated by social policy regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>High</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>High</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Low</td>
</tr>
</tbody>
</table>

### 3. How are social expenditures allocated?

This section shows the cross-sector allocation of social expenditures (graph 5). In Chile and Costa Rica social security gets the largest share of the budget although the gap between social security and other policy sectors is greater in Chile than in Costa Rica. In El Salvador resources devoted to social security approaches - but does not surpass - healthcare. Overall, social security does not have positive effects on redistribution since –unlike social assistance – allocation depends on contribution among mostly formal salaried workers. Over time, social expenditures have changed across sectors. All three countries increased their expenditures on education. In health care, however, expenditures remained constant in El Salvador but increased considerably in Chile and Costa Rica. The question is, which income groups have benefited from policy changes? Graph 5 about here

In Chile, between 1996 and 2003, social expenditures by income quintiles remained the same for education and slightly increased among the wealthiest 60% in healthcare. Contrary to Chile, between 1986 and 2000, resources allocated to education in Costa Rica dropped by 20% among the wealthiest quintile, rose among the 20% poorest, and remained the same for the rest. Meanwhile, healthcare expenditures dropped in quintile 3 and increased in the others. In El Salvador we do not have data for two distinct years (only for 2002).

Though we lack time series on social expenditures which disaggregates data on conditional cash transfers, table 7 shows their scarce weight. Table 7 about here

According to the latest data on education in Chile, the 20% highest income group benefits only slightly from public education, while in Costa Rica this group benefits greatly. A breakdown into educational levels shows that this is mainly due to the relative weight of post-secondary education (in Costa Rica the highest income quintile utilized 45% of all resources destined for that educational level, while in Chile, in 1996, the highest income quintile utilized just over 20% of the resources). Here, distribution faces a serious challenge since only a small part of the high income sectors (the 20% highest income group) resort to private education at the primary level and in Chile, in the secondary level as well. The question is then, how to strengthen collective demands - build a sense of belonging and "us" - which would then be reflected in resource allocation? In this case progressivity can have a undoubtedly negative connotation that is more pronounced in Chile than in Costa Rica (and is unknown in the case of El Salvador). Table 8 about here

In health care, the high-income sectors in all three countries benefit less than the other income levels with slightly higher levels in El Salvador and Costa Rica than in Chile. However, the differences in the allocation of resources in the income levels, between the three countries, are surprisingly similar. What does change is the access criteria: in Chile through public health, in Costa Rica through social

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17 To establish universal social protection non-contributory pensions are a challenge for most Latin American countries.

18 For Chile, data is prior to the implementation of the AUGE plan and reflects the operation of an “underfunded public system (FONASA) and a private for-profit system (ISAPRES) to which wage and salary earners could direct their mandatory contributions.” (Pribble and Huber, 2008:8).
security, and in El Salvador through public health and social security. In other words both in El Salvador and Costa Rica - but much more in Costa Rica since the very high levels of insured – the mid-high and high income sectors are financing the system but not necessarily using its services. Those who are in the top quintile of income have moved toward private services.

Although they spend about the same amount of resources, Chile and Costa Rica depart on the criteria through these resources are allocate therefore, they also show different distributional outcomes (see box 4). For El Salvador - given the gap in its social spending - the amount as well as the challenge to increase the distributional effects of social policy creates the differences in allocation criteria.

### Box 4.

<table>
<thead>
<tr>
<th>Expectations that social policy regimes promote redistribution</th>
<th>Criteria 4: Allocation criteria by social policy regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>High</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Medium</td>
</tr>
<tr>
<td>Chile</td>
<td>Low</td>
</tr>
</tbody>
</table>

5. **Looking back: actors and coalitions behind current social policy regimes**

How have social policy regimes contribute to distribution? And how have various actors dealt with reforms since the early 1990s?

Box 5 presents a summary of what has occurred in each country, followed by a (still) very rough analysis.

### Box 5

<table>
<thead>
<tr>
<th>Social policy regime</th>
<th>Expectations that social policy regimes promote distribution according to the following criteria:</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Country</td>
<td>During the 1980s</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Scarcely reformed</td>
<td>Inertial</td>
</tr>
<tr>
<td>Chile</td>
<td>Radically reformed</td>
<td>Towards buffering liberal reforms</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Weakened</td>
<td>Towards deepening liberal reforms</td>
</tr>
</tbody>
</table>

Source: own elaboration.
5.1 Costa Rica: broad distributional coalitions, either defensive or transformative of policy instruments
The State responded to the crisis of the 1980s by reducing investment and available resources with no privatization or official reduction in services. It deployed two strategies: maintaining the existing social policy and creating compensatory temporary programs. In addition to the recovery tools and wage supplements already described, the plan included unemployment benefits, temporary food aid, and productive support for the poor (Villasuso in Barahona and others, 2005). Consequently, the emergency did not transform the social policy architecture of the country, based on four primary sectors in charge of universal programs (education, health, pensions and housing) and targeted programs funded by FODESAF and executed from each of these sectors (Martinez Franzoni and Castro, 2007).

Initially social spending suffered an adjustment equivalent to half of the rest of public policy (10 and 5%, respectively). In the medium term, however, even in years of economic growth, social spending was subject to adjustment at various instances and disproportionately in 1990 (Trejos, 1993). Taken together, public social spending is now 48% higher than before the economic crisis, but when measured per capita it has not yet recovered or reached pre-crisis levels. Given that institutional changes had usually involved aggregation as opposed to elimination of programs, there was more work with fewer resources per capita and the deterioration or stagnation of investment was only partially offset by external financing. Pre and post-social policy is financed with fewer resources per capita and with increased programs mainly, attention to the aged population and new social risks. Significant effects were the peak of drop-outs in secondary education and a lowering in the quality of education and health-care services (Trejos, 2008; Martinez Franzoni, 2008b).

In education there have not been any institutional reforms but various efforts to expand and improve public services (such as incorporating Computer Science and English into the school curriculum) and coverage (particularly in secondary). Unions were primarily concerned with working conditions and the main conflictive issue with Teachers Unions was the expansion of the academic year to 200 school days.

In healthcare, reform began in the early 1990's. It generated Union opposition when privatization was considered. However, although conditions for greater private participation in access to public resources were created, it was chiefly intended to promote changes in the model of care and management, while maintaining the public character rather than privatizing financing or service delivery. The reform has had important results in terms of access, in particular for the popular sectors, although it has been much less successful for improvement in service quality. During the same period the relative weight of private health care increased along with conflicts of interest between public and private practice (Martinez Franzoni, 2005). The most spectacular of these conflicts led to jail for two former presidents (for embezzlement), one of them from Social Security (Seligson and Martinez, forthcoming).

In pensions, however, business sectors, unions and government all contributed to the two reforms that were carried out (in 2000 and 2005) (Martinez Franzoni, 2008b). Their significance is even greater if we consider that they are the only major social policy reforms since 1998. The biggest structural change was the creation of the multi-pillar pension system, albeit a moderate version (both in terms of the percentage of contributions and the source of their funding). Unions demanded the extension of the contributory basis in order to ensure the financial sustainability of the collective capitalization regime. In this way, policy measures acknowledged demands from sectors that had been historically excluded such as informal workers.
Thus, unions and allied organizations (as part of the cooperative movement), both in 2000 and in 2005 presented innovative proposals aimed at maintaining the structural design of the collective regime, albeit with changes in the methods and services (Castro Mendez, 2000; Martinez Franzoni, 2008).

Unions largely draw their constituency from the public and hardly from private employees – among which they reach less than 2% of the EAP including the self-employed (Castro Mendez, 2001). Still, they have played a key role in policy advocacy, particularly defending social policies in place before structural adjustment. Their role in two subsequent pension reforms (2000 and 2005) is not found in other policy sectors and the same occurs with the business sector – despite the fact that health care insurance in also run by government, business and government –.

Overall, medium income groups gain the most from pre-reformed policies. Low income groups have gained access (in pension transfers, health care services and, more recently, in education through conditional cash transfers) from previous and current, new social policies.

In short, Costa Rica has a social policy regime that - subsequent to the economic crisis – has basically maintained its pre-crisis architecture. The distributional coalitions between classes have been strong and have mainly operated to maintain - rather than to reform - the social policy regime.

5.2 Chile: technocratic policy reforms mostly transformative
Una idea central de las reformas en Chile es que simultáneamente han buscado, primero, aumentar la solidaridad en el acceso a los distintos servicios, sin, segundo, afectar las ganancias empresariales. Un rasgo que atraviesa las distintas reformas es el papel del Estado en el financiamiento de la ampliación de derechos. (Contrasta con CR adonde la expansión de derechos, o no ha estado financiada ó, en gran medida, se ha financiado de la planilla laboral).

* The argument presented in this section is largely drawn from the work of Pribble. I must include Castiglioni and others. Also, add intro paragraph**.

In health care, “Lago’s AUGE healthcare reform involved a laborious process of negotiation both among sectors of the Concertación parties and between the center-left coalition and the opposition, lasting from 2002 and to? 2004. The final version of the reform differed from the original proposal. The law does guarantee universal coverage of 56 illnesses, but was decided that it would be applied gradually with 25 being covered by 2005, 40 by 2006, and the full 56 by 2007 (Dávila, 2005:26). The reform stipulates a timeline for treating the illnesses and commits the state to covering the cost of treatment in the private sector if public providers are unable to provide care as stipulated by the law...

Several elements of the AUGE healthcare reform have improved the level of social protection by low-income sectors of the population and likely contributed to reductions in poverty levels” (Pribble and Huber, 2008:8-9).

Policy reform was largely driven by partisan elites: “Portions of the AUGE reform clearly reflect the preferences of the market-friendly sector of the PS, which prioritizes fiscal discipline and macroeconomic stability. Specifically, the reform limits coverage to a subset of illness to contain costs and limit pressure on the state” (Pribble and Huber, 2008:21).

Regarding social assistance, Chile Solidario (2004) was a top-down initiative by President Lagos: “The
policy was drawn up by a group of 21 technocrats and involved no consultation with base organizations... One of President Lagos’ advisors explained that the process was highly technical in character and sought to avoid political influences from parties.” (Huber and Pribble, 2008:24). The program provides income support to families living in extreme poverty as well as counseling and guidance from state social workers (Serrano and Rackinsky in Pribble and Huber, 2008). “Families participating in Chile Solidario also have preferential status for entrance into public pre-school, employment programs, and drug and alcohol rehabilitation services” (Pribble and Huber, 2008). President Bachelet continued the program and expanded coverage and the network of social services (MIDEPLAN in Pribble and Huber, 2008). Policy formation seems to have been top-down; it has little to do with coalitions, neither as an explanatory factor nor as an effect of the program.

Concerning education, the (slow and ongoing) reform process of Pinochet’s education law (Ley Orgánica Constitucional de Enseñanza (LOCE)), followed student protests that took place in April and May of 2006. The so-called “Penguins march” made up of thousands of students, demanded an end to the de-centralized system of school administration (Mardones in Pribble and Huber, 2008). The trigger for policy reform was bottom-up; it opened the agenda for sectoral reform and was triggered by a non-traditional, unexpected actor. Policy formation however, has been top-down: “The more traditional-statist sectors of the (PS) party favored a reform that explicitly supported the public municipal schools, but this was rejected for a system that funds poor students regardless of the school they attend. As a result, the reform will provide funds to private subsidized schools as well as strictly public municipal schools. This aspect of the reform is in opposition to the preferences voiced by the teachers’ unions, student organizations, and other base groups.” (Huber and Pribble, 2008:23). Despite social opposition, the reform was approved with the support of right and left-wing legislators the third week of June, 2008.

Finally, pension reform was recently approved and will come into effect in July of 2008. The reform sought to correct serious problems in coverage. Formally, there is a minimum pension for those without contributory coverage. However, as in El Salvador, its access required 240 quotas, a number difficult to achieve in a labor market considerably less informal than in El Salvador. “Since such a long contribution record is beyond the reach of many Chilean workers, this benefit is unattainable for a large share of individuals.

Similarly, the social assistance pension (PASIS), which is paid to the elderly poor, is also unobtainable for some individuals because they do not qualify for the benefit according to the country’s means test...” (Consejo Reforma Previsional 2000:17-18)” (Pribble and Huber, 2008:3). Among the measures introduced by the recently approved reform bill, is the introduction of a solidaristic pillar into the privatized system. This pillar will replace both existing mechanisms and will fund old-age, disability, and survivor benefits to individuals currently without coverage. This basic universal pension will be available to the bottom 60 percent of the income distribution. In addition, informal workers will have the same benefits as formal workers with a contract (i.e. family allowances and work injury protection) (Pribble and Huber, 2008).

In summary, Chilean social policy was deeply reformed during the military dictatorship of the 1980s. Since democratization in 1990, various policy measures have changed previous reforms, specifically to enlarge the role of public resources to decommodify risk management— yet, without substantially altering the central role of markets and the private sector –. Policy formation has been top-down and
had revolved around technocratic elites which, on the one hand, are related to political parties in office but, on the other hand, have been quite powerful in their own terms.

5.3 El Salvador: weak coalitions, contingent on policy sectors, and after a mix of restoration and transformation

Since 1992 when the Peace Accords were signed, policy change has been significant. Educational reforms were launched in the first half of the 1990s during the post-war "honeymoon" period between the right-wing ARENA and the left-wing FMLN. The reform promoted decentralization yet a context very different from other Latin American countries: there were a large number of schools and teachers placed in regions controlled by the former guerrilla which, once turned into a political party, the left wanted to be acknowledged and made part of the educational system. The reform took place after an agreement between negotiators for the FMLN and ARENA and was supported by teachers' unions, closely related to the left-wing political party. (INSERT QUOTE).

To the contrary, in pensions, reforms were carried out unilaterally by the government in the late 1990's, without the support of the political opposition, yet with no strong social opposition either. In 1996, with the creation of individual accounts, pensions went from a collective pay-as-you-go system to one based on private individual savings. Since the previous system benefited just a few, one of the arguments that draw a favorable public opinion was that the new system would increase coverage and opportunities for those excluded from all social protection. But provided a very large informal sector (self-employment is more than double than in Chile or Costa Rica), the proportion of the population actually contributing is as low as before. Moreover, access to the minimum pension, by requiring at least 240 quotas, is among the most stringent of all of Latin America (Mesa-Lago, año). Meanwhile, public debt to private insurance businesses is fairly large, making social expenditures more regressive than before.

Therefore, the reform – far from extending – reduces coverage. That is, many more people have at some point contributed to a private insurance company, yet fewer remain as regular insured. As well, the transfers that the Salvadoran State has had to make to private pension providers, needs to be considered. Consequently, in 2011 the government will face major challenges in terms of public debt and it is already experiencing pressure on other sectors – with a far more widespread scope (such as education and health) than pensions (cita intrevista).

In health, reform has had many setbacks, mainly because at the end of the 1990s, it generated a coalition of actors opposing the privatization of financing and provision of health services. This coalition was organized around doctors unions and other health professionals, and gathered users and citizens in general. It was successful in opening a space for negotiations between distinct actors - business, doctors, human resource trainers, etc. – and several general agreements were reached (with the exception of funding and service delivery). The debate has been whether to unify and integrate private sub-systems, public and social security, or rather, to privatize a greater range of services. A new law that creates some conditions to unify services was approved in late 2007 - with the opposition of the FMLN and health unions.

In terms of social assistance, the recent creation (in 2005) of conditional transfers, was "top down" and aimed at women with children living in extreme poverty in rural areas. The transfer represents a
significant amount for the income level of this population (U.S.$15 per month). Their delivery is contingent on school attendance and health monitoring. It has been very well received by the beneficiaries. However, the assessment available for the transfers shows a sense of gratitude (most specifically toward the President) rather than a sense of “right”. Therefore, it is not clear if the program contributes to the collective action and/or alliance building with other sectors. Although it potentially could build alliances among the beneficiary population and NGOs providing services, the relationship is individual and “hand out” in nature rather than collective and of collective action.

Overall, compared to the early 1990s, the access that low income groups have to social services, although basic, has improved considerably. Access does not necessarily lead to collective action or autonomous organization but reflects technocratic and residual patronage. Still, in the context of a tight electoral bipartisan competition, it does give the poor electoral power. For instance, at this point, neither the right nor the left would dare to remove cash transfers. Moreover, the right-wing party ARENA has taken over many of the historical claims made by the left (such as anti poverty and pro-equity measures) (insert reference).

In summary, in El Salvador, starting from an exclusive social policy regime that was weakened during the war, distributional coalitions between classes have been weak. Due to alliances with service providers, these coalitions were concentrated in the health sector and have operated for a complex combination of defense and transformative coalitions.

### 6. Looking ahead

From the previous analysis, it can be concluded that in order to better understand whether social policy maintains, decreases or increases social inequality, regional variations and patterns mapped out by welfare regimes as well as national variations in social policy regimes, need to be addressed. Coalitions may or may not be that significant for the transformation of social policies that are capable of re-shaping social structures toward decreased poverty and increased equality. Evidence presented in this paper based on three fairly contrasting Latin American countries, shows that welfare regimes does provide relevant clues to explore the role played by distributional coalitions to accomplish redistribution, namely, weak, strong and sector-based in market-, state- and family led welfare regimes, respectively.

For better or for worse, regimes reflect margins of action that are structurally distinct, largely reflecting particular historical trajectories in terms of the degree of commodification achieved by the workforce, as well as the degree to which risk management has been transferred from families (and unpaid work) to the field of public policy. Relevant historical trajectories are not only those prior to the economic crisis of the 1980s but also reforms carried out since then. State-led welfare regimes such as Costa Rica, Brazil and Uruguay, clearly differ from the market-led welfare regimes of Argentina and Chile in the extent to which liberal reforms – based on privatization, decentralization and targeting – took place during the past two decades. In addition, countries with familialistic welfare regimes depart from countries under market and State-led welfare regimes in so far the former had weaker and less extended social policy and thus retrenchment has been as important as the foundation of new programs.

Looking forward, within each welfare regime, and as shown by Chile and Uruguay, changes depend on a combination of various factors such as party ideology, party structure and the nature of the opposition (Pribble and Huber, 2008) but also on whether countries currently enlarge their fiscal capacities by
commodity booms. Of the three countries, El Salvador is the one most likely to undergo change in the ideological leanings of the party in office – upon the upcoming 2009 election –, from the right-wing ARENA to the left-wing FMLN. The organized social base of the FMLN and the large amount of pending social demands, suggest that such a government would make decisions strongly influenced by social demands and established distributory coalitions, as well as by the challenge to build new ones. Yet, in the short run, broadening the State’s capacities for redistribution would require that the left-wing government is able to expand its fiscal base and deals with a strong right-wing opposition – similar to the Chilean—, while at the same time tones down social expectations.

In all three countries, the question remains as to whether policy changes will have sufficient affects in order to transform the welfare regimes within which the social policy regimes exist, as well as their ability to generate more equitable social structures. Drawing from the previous analysis I would say that such a transformation will not depend on distributional coalitions in Chile; will very likely depend on neutralizing them in Costa Rica; and will need a very complicated combination of reliance and detachment from distributional coalitions in El Salvador.

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19 Provided the very large role of emigration and private remittances, progressive distributional coalitions may need to include organized emigrants, primarily those in the United States. For example, an illness that requires highly complex services could easily lead to severe financial difficulties for the migrant population. The contribution to social insurance to meet such risks could create a "win-win" situation for the private interest of families with migrants and the public interest in order to broaden the base of the contributory system and allocate resources with solidarity criteria. That is, in El Salvador as in other familististic welfare regimes, coalitions will necessarily be transnational rather than merely domestic.


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Reseña biográfica

Juliana Martínez Franzoni obtuvo su doctorado en sociología en la Universidad de Pittsburgh en 1998. El trabajo que se presenta es parte de un estudio más amplio sobre regímenes de bienestar en América Latina, llevado a cabo desde el Instituto de Investigaciones Sociales de la Universidad de Costa Rica, y como parte del cual ha publicado, entre otros Domesticar la incertidumbre en América Latina;

8. Diagrams, Tables and Graphs

Diagram 1

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Risk management centrally revolving around</th>
</tr>
</thead>
<tbody>
<tr>
<td>State capacities</td>
<td>States</td>
</tr>
<tr>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>Social policy primarily driven towards</td>
<td>High and mostly linked to formal wage-earning</td>
</tr>
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<td>Decommodification</td>
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Table 1.

<table>
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<th>Dimensions</th>
<th>States</th>
<th>Markets</th>
<th>Families</th>
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</thead>
<tbody>
<tr>
<td>Risk management centrally revolving around</td>
<td>Low income groups</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Income inequality</td>
<td>Uneven (most equal and most unequal coexist)</td>
<td>High</td>
<td>High</td>
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<td>Risk management largely revolving around</td>
<td>State and public policies</td>
<td>Markets</td>
<td>Families, unpaid female work</td>
</tr>
<tr>
<td>Role of unpaid female work</td>
<td>As State counterpart</td>
<td>As market counterpart</td>
<td>Multi-task</td>
</tr>
<tr>
<td>Human development</td>
<td>High</td>
<td>High</td>
<td>Medium and low</td>
</tr>
<tr>
<td>Countries</td>
<td>Argentina and Chile</td>
<td>Brasil, Costa Rica, Panama, Mexico and Uruguay</td>
<td>Subgroup a): Colombia, Ecuador, El Salvador, Guatemala, Peru &amp; Dominican Rep. Subgroup b): Bolivia, Honduras, Nicaragua &amp; Paraguay</td>
</tr>
</tbody>
</table>

Martinez Franzoni, 2008a.

Graph 1

Distribution of primary and total income (measured as quasi-Ginis)

Source: CEPAL (2005)


Table 2. Class Structure by Country

<table>
<thead>
<tr>
<th>Class</th>
<th>Chile</th>
<th>Costa Rica</th>
<th>El Salvador</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant classes (*)</td>
<td>9.5</td>
<td>7.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Petty bourgeoisie</td>
<td>9.4</td>
<td>10.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Non-manual formal proletariat</td>
<td>16.2</td>
<td>14.1</td>
<td>10.5</td>
</tr>
<tr>
<td>Manual formal proletariat</td>
<td>29.0</td>
<td>28.2</td>
<td>22.5</td>
</tr>
</tbody>
</table>
Informal proletariat | 34.9 | 38.9 | 50.0
Unclassified | 1.0 | 0.7 | 0.2
Total | 100 | 100 | 100

* Includes capitalists, executives and professionals.

Table 3. Income distribution, before and after social expenditures (quasi Gini *)

<table>
<thead>
<tr>
<th>Type of income</th>
<th>Chile</th>
<th>Costa Rica</th>
<th>El Salvador</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary (before social expenditures)</td>
<td>0.45</td>
<td>0.43</td>
<td>0.47</td>
</tr>
<tr>
<td>Total (after social expenditures)</td>
<td>0.37</td>
<td>0.35</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Note: social expenditures includes cash and in kind benefits together.
* Interpreted the same as Gini coefficients; they range from 0 to 1; the higher the value, the more the inequality
Source: CEPAL, 2005.

Table 4. Costa Rica: net effect of social expenditures on income distribution (as quintiles), 2000

<table>
<thead>
<tr>
<th>Total</th>
<th>I (poorest)</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>4</td>
<td>8.9</td>
<td>13.9</td>
<td>21.8</td>
<td>51.5</td>
</tr>
<tr>
<td>100</td>
<td>7.4</td>
<td>11.0</td>
<td>14.5</td>
<td>21.0</td>
<td>46.1</td>
</tr>
</tbody>
</table>

Note: social expenditures includes cash and in kind benefits together.

Table 4. Distribution of social expenditures without social security by income groups (as quintiles)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>I (poorest)</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>1996</td>
<td>33.3</td>
<td>25</td>
<td>20.5</td>
<td>14.4</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>33</td>
<td>26</td>
<td>19</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1986</td>
<td>22.1</td>
<td>21.2</td>
<td>22</td>
<td>18.5</td>
<td>16.2</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>21</td>
<td>19</td>
<td>17</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2002</td>
<td>26</td>
<td>23</td>
<td>21</td>
<td>18</td>
<td>12</td>
</tr>
</tbody>
</table>

Note: social expenditures includes cash and in kind benefits together.
Table 5. Impact of public social expenditures on household income without social security, as percentages

<table>
<thead>
<tr>
<th>Country</th>
<th>% of social to income</th>
<th>I (poorest)</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile (2003)</td>
<td>Primary income *</td>
<td>60</td>
<td>32</td>
<td>19</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Total income **</td>
<td>38</td>
<td>24</td>
<td>16</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Costa Rica (2000)</td>
<td>Primary income *</td>
<td>100</td>
<td>40</td>
<td>22</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total income **</td>
<td>50</td>
<td>29</td>
<td>18</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>El Salvador (2002)</td>
<td>Primary income *</td>
<td>38</td>
<td>15</td>
<td>9</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Total income **</td>
<td>28</td>
<td>13</td>
<td>8</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: social expenditures includes cash and in kind benefits together.
* Relative weight of social income to the household’s primary income
** Relative weight of social income in the household’s total income


Graph 2

Public social expenditure as a percentage of GDP, 1990 - 2004

Source: CEPALSTAT

Graph 3

Public social expenditure as a percentage of total public expenditure

Source: CEPALSTAT


Graph 4

Public social expenditure per capita (in 2000 dollars), 1990-2004

Source: CEPALSTAT

**Graph 5**

**Distribution of public social expenditure, 1990 & 2003**

*Source: CEPALSTAT & CEPAL (2007)*

**Table 7. Social expenditures 2004/2005 (as percentage of GDP)**

<table>
<thead>
<tr>
<th>Country *</th>
<th>Total</th>
<th>In kind services</th>
<th>Social security</th>
<th>Housing</th>
<th>Conditional transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>13,1</td>
<td>6,3</td>
<td>6,5</td>
<td>0,2</td>
<td>0,100</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>17,5</td>
<td>10,4</td>
<td>5,3</td>
<td>1,7</td>
<td>0,020</td>
</tr>
<tr>
<td>El Salvador</td>
<td>5,6</td>
<td>4,5</td>
<td>0,0</td>
<td>1,1</td>
<td>0,023</td>
</tr>
</tbody>
</table>

* For Chile and Costa Rica the data on conditional transfers is of 2005, for El Salvador of 2006

*Source: CEPAL 2007*

**Table 8. Distribution of social expenditures without social security for selected policy sectors and income groups (as quintiles)**

<table>
<thead>
<tr>
<th>Policy sector</th>
<th>Country (2003)</th>
<th>I (poorest)</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V (richest)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Chile</td>
<td>35</td>
<td>27</td>
<td>19</td>
<td>13</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Costa Rica (2000)</td>
<td>21</td>
<td>20</td>
<td>19</td>
<td>13</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>----</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td>Chile (2003)</td>
<td>30</td>
<td>23</td>
<td>20</td>
<td>17</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Costa Rica (2000)</td>
<td>29</td>
<td>25</td>
<td>20</td>
<td>15</td>
<td>11</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>El Salvador (2002)</td>
<td>26</td>
<td>23</td>
<td>21</td>
<td>18</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>