

# **Social protection systems**

**in Latin America  
and the Caribbean**

**A comparative  
view**

**Simone Cecchini  
Fernando Filgueira  
Claudia Robles**



UNITED NATIONS

**ECLAC**



**NORWEGIAN MINISTRY  
OF FOREIGN AFFAIRS**

**SOCIAL  
POLICY****Social protection systems in  
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## Contents

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<b>Executive summary</b> .....	5
<b>I. Introduction</b> .....	7
A. The concept of social protection .....	8
B. The systemic view of social protection.....	9
<b>II. Case studies on social protection systems</b> .....	11
A. The structure and basic contents of the case studies .....	11
B. Variable- and case-driven studies .....	12
1. Specific national context.....	14
2. Historical time.....	15
3. Inter-relationships between processes and outcomes.....	15
<b>III. The variants of social protection systems in Latin America: degrees of development and types of welfare state</b> .....	17
A. Welfare gaps: a classification of capacities, effort and limits .....	18
B. Countries with a severe welfare gap .....	25
C. Countries with a moderate welfare gap.....	25
D. Countries with a small welfare gap.....	26
E. Variants within the welfare gaps.....	26
F. The dynamics of welfare gaps and types of regime: what the case studies show.....	29
<b>IV. Recent innovations in social protection systems</b> .....	31
A. Efforts in terms of coverage: the new frontiers of universalism, contributory mechanisms and targeting .....	31
B. New benefits, new risks covered, new social investments.....	36
C. From programmes to policies, from emergency to entitlements.....	37
D. Inter-sectoral synergies and coordinations promoted from the new social protection designs .....	37
E. The trends in context: gaps, types and limitations .....	37

<b>V. In conclusion: the case studies as an innovative contribution to research, action and institution building</b> .....	39
<b>Bibliography</b> .....	41
<b>Annex</b> .....	45
<b>Social Policy Series: issues published</b> .....	48
<b>Figures</b>	
FIGURE 1 NUMBER OF DEPENDANTS PER FORMAL WORKER, AROUND 2002 AND 2008 .....	21
FIGURE 2 LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): TREND OF PUBLIC EXPENDITURE ON SOCIAL SECURITY AND ASSISTANCE AND ON HEALTH, 1992-1993 TO 2010-2011 .....	32
FIGURE 3 LATIN AMERICA AND THE CARIBBEAN: INCREASES IN SOCIAL PROTECTION COVERAGE .....	33
FIGURE 4 LATIN AMERICA AND THE CARIBBEAN: WAGE-EARNERS WHO CONTRIBUTE TO THE PENSION SYSTEM AND HAVE ACCESS TO THE HEALTH PROTECTION SYSTEM, AROUND 2000 AND 2010 .....	34
<b>Tables</b>	
TABLE 1 GROUPS OF COUNTRIES ACCORDING TO THE FORMAL DEPENDENCY INDICATOR, AROUND 2006 .....	21
TABLE 2 GROUPS OF COUNTRIES DEFINED BY CONGLOMERATES ANALYSIS, AROUND 2012 .....	23
TABLE 3 CAPACITY INDICATORS BY COUNTRY GROUPS, AROUND 2010/2012.....	23
TABLE 4 INDICATORS OF EFFORT BY COUNTRY GROUPS, AROUND 2012.....	24
TABLE 5 INDICATORS OF SOCIAL PROTECTION COVERAGE BY COUNTRY GROUPS, AROUND 2011/2012 .....	24
TABLE 6 INDICATORS OF FAMILY SURVIVAL STRATEGIES BY COUNTRY GROUPS, AROUND, 2012 .....	25
TABLE 7 SELECTED INDICATORS FOR TYPES AMONG SMALL-GAP COUNTRIES, AROUND 2012 .....	27
TABLE 8 SELECTED INDICATORS FOR TYPES WITHIN MODERATE-GAP COUNTRIES, AROUND 2012 .....	28
TABLE A.1 LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): INDICATORS USED IN THE CONGLOMERATE ANALYSIS, AROUND 2012.....	46
<b>Diagrams</b>	
DIAGRAM 1 TYPOLOGY OF STUDIES .....	17
DIAGRAM 2 CONGLOMERATE ANALYSIS .....	22
DIAGRAM A.1 CONGLOMERATE ANALYSIS WITH FEWER VARIABLES .....	47

## Executive summary

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This report pursues three complementary aims. Firstly, it presents the first generation of country case studies on social protection systems in Latin America and the Caribbean, published in the ECLAC Project Documents collection; and it provides justifications for developing such systems. Secondly, it sets out a classificatory approach to social protection system in the region, which aims to provide a comparative basis for interpreting national cases. Lastly, using standardized data and case studies, it identifies major trends in the changes the region is undergoing in terms of social protection. The document is therefore divided into three major sections: a first section describing the characteristics of the case studies presented here, and their value-added in addressing the study of social protection in the region. The second section defines major groupings in which countries are classified as having severe, moderate, or small welfare gaps. Within these large groups, countries are placed in continua ranging from more productivist to more protectionist models, and from more segmented/private to more homogeneous and public models. The third section, using standardized and comparable data and incorporating the evidence generated from the case studies, identifies the broad trends of the twenty-first century in terms of social protection in the region.



## I. Introduction

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The national case studies on social protection systems in Latin America and the Caribbean, published in the ECLAC Project Documents collection, have the immediate aim of disseminating knowledge on the current status of social protection systems in the region's countries. They also discuss the main challenges in this area, in terms of their contribution to upholding economic and social rights and achieving key development goals such as overcoming poverty and hunger, and providing effective protection against the socioeconomic risks that affect the population.

To date, 20 studies completed between 2012 and 2013 have been published in the ECLAC Project Documents collection, covering the following countries: Argentina (Repetto and Potenza Dal Masetto, 2012); the Plurinational State of Bolivia (Monterrey Arce, 2013); Brazil (Robles and Mirosevic, 2103); Chile (Robles, 2013); Colombia (Mina Rosero, 2013); Costa Rica (Román Vega, 2012); Dominican Republic (Lavigne and Vargas, 2013a); Ecuador (Naranjo Bonilla, 2013); El Salvador (Martínez Franzoni, 2013a); Guatemala (Martínez Franzoni, 2013b); Haiti (Lamaute-Brisson, 2013); Honduras (Martínez Franzoni, 2013c); Jamaica (Lavigne and Vargas, 2013b); Mexico (Valencia Lomelí, Foust Rodríguez, Tetreault Weber, 2013); Nicaragua (Martínez Franzoni, 2013d); Panama (Rodríguez Mojica, 2013); Paraguay (Lavigne, 2012); Peru (Lavigne, 2013); Trinidad and Tobago (Robles and Vargas, 2013) and Uruguay (Filgueira and Hernández, 2012).<sup>1</sup>

In 2012, as many as 164 million Latin American people were living in poverty, 66 million of them in extreme poverty; and a very unequal income distribution continued to be one of the region's defining features (ECLAC, 2013). Accordingly, while reviewing the set of social protection mechanisms and their coverage across the population at large, the studies focus particularly on those that affect the inclusion of poor and vulnerable population groups in protection systems, along with the distributive impact of social protection policies.

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<sup>1</sup> The case studies are available online at <http://dds.cepal.org/proteccionsocial/sistemas-de-proteccion-social/> (in Spanish) and at <http://dds.cepal.org/socialprotection/social-protection-systems/> (in English).

## A. The concept of social protection

Social protection has emerged in recent years as a conceptual hub that aims to integrate a variety of measures aimed at building fairer and more inclusive societies, and guarantee minimum standards of living to everyone. Although social protection may be targeted on meeting specific needs among certain population groups—for example, persons living in poverty or extreme poverty, and more vulnerable groups such as indigenous peoples—they must be available to citizens generally. In particular, social protection is seen as a fundamental mechanism for pursuing the full attainment of the population's economic and social rights, as recognized in a series of national and international legal instruments including the United Nations Universal Declaration of Human Rights of 1948 and the International Covenant on Economic, Social and Cultural Rights (ICESCR) of 1966. These legal instruments recognize the rights to social security, work and the protection of adequate living standards for individuals and families, along with the enjoyment of greater physical and mental well-being and education.

Social protection is also a fundamental tool for speeding up progress towards universally agreed-upon development targets, such as the Millennium Development Goals. In the framework of the global debates on the post-2015 development agenda, it is also increasingly being recognized as a new area to be explicitly included in future development targets and goals (United Nations, 2013a; 2013b and 2013c).

Another clear example of the importance attained by this concept is the resonance achieved by the “social protection floor” initiative led by the International Labour Organization (ILO) and other United Nations agencies. The social protection floor includes guarantees of basic income security—through various forms of transfer such as pensions for older adults or the disabled, benefits for dependent children, and income support for the unemployed and poor workers— together with universal access to essential social services in the areas of health, education, food security, housing, water and sanitation, and others (ILO, 2011). As a result, progress is made in defining a set of social minima, which should be available to each and every citizen irrespective of their economic and employment status.

Initiatives linked to “basic universalism” are another way of approaching the notion of fundamental social protection. From this perspective, protection floors should be based on a set of universal benefits and transfers intended to sustain adequate levels of access and consumption in terms of food, education, health and care (Filgueira and others, 2006). For that purpose, the benefits in question need to be delivered on the basis of citizenry principles and financed out of general revenues, explicitly eschewing targeted or contributory principles (Huber and Stephens, 2012).<sup>2</sup>

More recently, a new proposal has emerged that seeks to advance towards universalism in terms of basic income and health-care guarantees for workers, whether formal or informal (Levy, 2009 and 2011). The idea in this case is to extend—with financing from fiscal revenues obtained from consumption taxes—a universal basic floor of protection in terms of assurances to all workers, without this requiring a contribution from family members.

In keeping with the regulatory changes of recent decades, the three proposals mentioned keep responsibility for guaranteeing basic economic and social rights mainly with the State, which is called upon to play a primary role in social protection—interpreted as a right and not as a privilege or gift—in collaboration with three other major social actors: families, the market and social and community organizations.

Moreover, the three proposals and contemporary discussions on social protection are underpinned by different emphases or orientations on how to conceptualize social protection. These emphases include discussions on the instruments needed to universally guarantee access to social protection to the population at large (whether through contributory mechanisms or non-contributory ones); the level of

<sup>2</sup> Basic universalism (BU) draws heavily on the notions of citizen's income, promoted originally and in its early stages by Rubén Lo Vuolo. BU is even more closely related to the adaptations made the concept by Lo Vuolo, combining a form of citizen's income limited to “demographically” dependent population groups, and his preference for universal quality services provided by the State, rather than income guarantees enabling such services to be purchased on the market. These adjustments and the analysis of the prospects of universalism in terms of citizen's income can be seen in some of his more recent writings (Lo Vuolo, 2010).

coverage, mode of financing, the degree of solidarity it entails, and social stratification giving rise to it; and, fundamentally, the type of guarantees to be given to assure all citizens access to quality services. Discussion on the role of public and private entities, for example, in relation to universal access to health care or social security, underlines these different orientations.

With differences that reflect their history and development status, several Latin American and Caribbean countries have adopted some of the more innovative measures among developing countries, to establish these guarantees, by implementing various types of transfer—which include conditional transfer programmes and social pensions—the expansion of health protection, and the expansion of educational programmes in terms of age groups, duration and coverage.

Social protection is a central part of social policy, which, in turn, is a cornerstone of welfare regimes. The characteristics of social protection differ according to the social problems it addresses. Accordingly, it does not cover all areas of social policy, but is one of its components along with sector policies (such as health, education, or housing) and social advancement policies (such as skill development, job intermediation, and the promotion of new enterprises, financing and technical assistance for microenterprises and small businesses). While sectoral policies are responsible for providing social services that aim to strengthen human development,<sup>3</sup> and promotion policies aim to strengthen capacities to improve autonomous income generation among the population, social protection seeks to ensure a basic level of economic and social well-being for all members of society. In particular, social protection should guarantee a sufficient level of welfare to sustain living standards that are considered basic for a person's development, while also facilitating access to social services and promoting decent work (Cecchini and Martínez, 2011).

## B. The systemic view of social protection

One of the key social protection challenges facing the region's countries involves integrating diverse initiatives into genuine systems that coordinate several programmes and the State institutions responsible for their design, financing, implementation, regulation, monitoring and evaluation, with the aim of raising the population's living standards (Cecchini and Martínez, 2011).

On the supply side, social protection policies and programmes need to be coordinated among the different social-policy sectors—social development, health, education, labour and others—and between the different administrative levels at which these policies and programmes are implemented. On the demand side, social protection systems should seek to address the population's different needs, in terms of both the individual and family life cycle and the social group to which they belong, which depends on factors such as income level, type of labour-market participation, area of residence or ethnic group, among others (Cecchini and Martínez, 2011).

To provide a systemic view of social protection, national case studies characterize two of the pillars of social protection systems: the non-contributory pillar (traditionally known as “social assistance”, which may include both universal and targeted measures), and the contributory system (or “social security”).<sup>4</sup> The case studies also discuss employment policies and sectoral policies on education, health and housing, which it is essential to understand when analysing the social protection-access challenges faced by the population in each country. In addition, the case studies include a brief overview of socioeconomic and development trends, with a special emphasis on poverty and inequality, providing

<sup>3</sup> Although education and health cannot be considered as social protection mechanisms per se, they partly function as such in terms of their effects—by providing people with tools to gain access to income and protect them against negative events—and they are particularly so in certain dimensions such as the extension of duration and coverage in the younger age groups. These two dimensions not only play a human capital promotion and strengthening function, but they also serve as mechanisms for protecting early childhood and families by providing expanded care facilities at ages where previously such protection depended exclusively on the families.

<sup>4</sup> The third component, labour-market regulation, which consists of norms and standards aimed at promoting and protecting decent work (Cecchini and Martínez, 2011) is analysed in lesser detail, mainly in relation to the topic of the minimum wage.

valuable background information for understanding the efforts being made in each country according to its possibilities map.<sup>5</sup>

Given the ambiguity and sectoral nature of the key institutions in the social domain (which may include ministries of social development, planning ministries, social security institutions, education ministries, health ministries, housing ministries, etc.), this first set of studies has been produced in conjunction with independent specialized consultants, without establishing an official link with the governments.

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<sup>5</sup> In this connection, the statistics reported in the case studies, whether related to poverty, inequality, employment or social spending, do not necessarily correspond to official data validated by ECLAC.

## II. Case studies on social protection systems

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To enable the case studies on social protection systems to inform a more complex analysis of national realities and, at the same time, maintain a minimum basis for comparison that would promote the preparation of general and comparative narratives, the authors were asked to adhere to a common basic structure and a set of essential data, while ensuring that the policies, as a unit of analysis, and the specific countries, as a contextual unit, maintained their pre-eminence over standardized descriptive mechanisms.

### A. The structure and basic contents of the case studies

The basic structure requested of the authors specified five major points to be addressed: (i) the historical evolution of the protection system and the State's social action; (ii) recent trends in economic and social indicators, including the general evolution of social public spending; (iii) the functioning of the social protection system, specifying its contributory and non-contributory components; (iv) health policies; and (v) education policies. In the three latter points, the authors were asked to consider at least three basic dimensions of the systems and subsystems under consideration: their institutional design (governance, financing and suppliers); their eligibility and coverage criteria (and their effective coverage); and the expenditure incurred. They were also asked, wherever possible, to analyse coverage from the standpoint of a number of basic cross sections of inequality (ages, employment formality, education levels, income, etc.).

Lastly, the authors were asked to produce a final section evaluating the strengths, challenges, and prospects of the social protection systems in each country. In many cases this includes consideration not only of the "hard" data on expenditure and coverage, but also "soft" data on institutions and political economy.

This type of treatment differs significantly from that provided in ECLAC's *Social Panorama of Latin America*. In that publication, social spending issues tend to be treated in a chapter apart, whereas coverage issues are addressed in specific thematic chapters. In the national studies, the relevant units are policies and these are considered in terms of their different dimensions (coverage, expenditure, institutional framework) and the general context of the country (historical evolution, recent trends, other policies). Health and education policies are also considered from their dual universality and targeting aspects, and in the case of health, in terms of its contributory and non-contributory components.

Although this first generation of studies does not scrupulously respect the content demands and requirements in all cases, all do achieve a significant approximation to them. This ultimately produces a set of studies which, without representing the last word on the subject, offer an initial global and interconnected overview of the region's social protection systems, along with their interrelationships with broader social and economic dynamics, and their overlaps with the rest of government social action.

While requesting treatment of the social protection system, a degree of freedom was given to the authors on how to present and arrange their main components. In some cases, they start from the contributory and non-contributory pension system and discuss specific poverty reduction policies separately; in other cases, these components are presented together, although always separating the treatment of contributory and non-contributory components.

In the Brazilian case, the presentation of policies reflects the institutional order defined in the country, separating social security (*previdência social*) from welfare (*assistência social*) (Robles and Mirosevic, 2013). In the cases of Uruguay (Filgueira and Hernández, 2012) and Ecuador (Naranjo Bonilla, 2013), it was decided to present contributory and non-contributory social protection policies in two large blocks. In the cases of Chile (Robles, 2013), Mexico (Valencia Lomelí, Foust Rodríguez, Tetreault Weber, 2013) and Peru (Lavigne, 2013), policies to combat poverty and vulnerability, and the social security and pension system, are presented separately, which, strictly speaking, have a non-contributory component that is recognized and described by the authors.

In the case of Costa Rica, it was decided to separate policies into two large blocks: universal policies (social security, health, education); and selected or targeted policies (Román Vega, 2012), thereby blurring the line between social protection policies, sectoral policies, and social investment and promotion policies. While there are other variants in the presentation and aggregation strategies, in all cases the contributory and non-contributory components are distinguished, in addition to the different institutional aggregations, and type of benefit (sickness benefit, retirement benefits, pensions, unemployment, family allowances), in question.

In addition, the authors also consider other relevant policies that are not included in these sections. In the case of Ecuador for example, subsidy and socially-oriented price-control policies, employment and wage policies, and housing and urban development policies are all treated in depth. In the case of Chile, this is done with housing and employment-access policies; in the case of Peru, with job protection and promotion policies; and in Mexico, employment protection. The study on Costa Rica addresses innovative mechanisms for providing care to dependent populations, in selected or targeted policies.

Beyond the individual treatment of each policy sector and national specifics, the case studies all have the following data at least: per capita social spending (total and with a breakdown between major policy sector) as a percentage of GDP and as a percentage of total spending; trends in GDP, poverty and inequality; coverage rates of the programmes considered and a number of breakdowns to identify segmentation or inequality; and eligibility criteria and values of the transfers in cases where they can be identified, along with the rules for their adjustment. In many cases time series were available for these dimensions.

## **B. Variable- and case-driven studies**

Since 1991, ECLAC has been publishing the *Social Panorama of Latin America*, which is essential reading for academics, decision-makers and opinion-formers, offering a systemized set of standardized variables that are tracked and analysed through time for the vast majority of countries in the region. Thus, poverty, inequality, social spending and labour-market data are treated continuously to provide a genuine overview of the evolution of the key variables that create social welfare and its distribution. In this way, the reader can observe and track the trends on the subject in the different countries, and investigate the fundamental relations that the evolution of the variables suggests for the region as a whole.

The case study series that is introduced and justified in this document pursues a different aim, seeking to develop at least four basic functions:

- Provide country case studies giving access to the fundamental qualitative and quantitative data that make up the social protection system in each country.
- Provide quantitative and qualitative data on the evolution of the socioeconomic and political context in which social protection systems are developed and transformed.
- Set forth a narrative of the country's political-economy and institutional framework in terms of social protection, to better capture the dynamics and potentials for change in social protection systems.
- Identify the progress and constraints that these systems have developed in terms of coverage and quality, and their future prospects, identifying their current strengths and weaknesses.

The relevance of developing these case studies is based on the functions mentioned above, which it seeks to fulfil, and which the *Social Panorama of Latin America*, given its nature, cannot and should not fulfil. But it also stems from a historical backdrop of major changes in the frameworks of protection, promotion and sectoral social services in the region's countries.

The region is currently undergoing fundamental changes in its insurance, income-transfer and service-provision systems. Evidence for this is provided by the major increase that has been occurring in the fiscal efforts of the countries and expansions of coverage in terms of income or services that are occurring in nearly all countries. The mix of targeted, contributory and universal policies is changing rapidly. The boundaries between contributory and non-contributory models are shifting and being redefined, in line with the weight of the various modalities of service provision and financing and income-transfer systems. The division of financing and social provision responsibilities between central and subnational governments is also changing, as new provisions and social groups arise in the regional scenario. These stylized trends are undeniable in the region, but the degree, and most particularly, the form, they adopt in each country vary enormously.

In his 1987 seminal work *The Comparative Method: Beyond Quantitative and Qualitative Research*, Charles Ragin (1987) posited the existence of two major approaches in the social sciences: those driven by variables and their relations, and those driven by cases and their set of variables.

In the first of these approaches, the cases (in other words the units) are strictly speaking irrelevant; what is important is the relation established between the variables that characterize the cases. Thus, an analysis of employment and poverty in Latin America does not consider the configuration of the labour market and poor groups in a specific country, but investigates the general relations displayed between the trend of poverty and employment for the set of countries as a whole. In their most extreme form, when they combine time series and multiple countries, these studies treat each observation as equivalent and autonomous units.

In contrast, studies oriented towards the analysis of cases accord special importance to the unit (country) that contains them, and they are particularly sensitive to the context in which they are documented (other quantitative and qualitative variables, along with historical trends). Thus, a rising employment rate in Peru is not the same as a rising employment rate in Brazil, if it displays different patterns in its expansion, and if it is accompanied by active employment policies in one case but stagnating GDP, whereas in the other case it stems from faster GDP growth and is correlated with higher levels of unemployment, given the increase in labour-market participation rates. In models driven by variables and their relations, an attempt could be made to solve this problem by adding control variables and constructing tables that combine various types of factors; but, strictly speaking, the model is always additive. Explanatory variables are added and this increases the explained variance. Even saturated models (which incorporate all possible terms of interaction) are ultimately additive. Case studies, in contrast, operate a chemical rationale of causality, rather than an additive one. It is the simultaneous presence of a, b and c that produces z; while z can also be attained without a, b and c, provided j, h and i are present.

The *Social Panorama of Latin America* provides inputs and some analysis driven by the variables model. The case studies introduced here are based on specific national configurations, and the values of various variables (social spending, coverage, poverty and inequality) only become meaningful when they are situated in the national context that includes another relevant set of variables. These modalities are not rival but complementary. The former help to visualize and identify the general potential relations between variables or those that can be expected, whereas the latter help to analyse the variables at a more complex level, by providing context and complexity to the original analysis.

The great advantage of case-driven studies is that they enable the reader to access the set of elements that are relevant for thinking about public-policy challenges, placing them in the specific national context. This does not supplant the importance of general studies of relations and trends in variables which provide elements to identify major recurrent relations between context, processes and factors; but they do make it possible to locate them and their specifics with a wealth of detail and complex thought, which general relations do not allow. The case studies on social protection systems do not aim to identify causal configurations. They are eminently descriptive, but the elements included in this description do provide the public-policy analyst and strategist with a more encompassing and detailed battery of data than provided by variable-driven analytical models.

The distinctive elements we expect these case studies to offer the reader are described in detail in the following paragraphs.

## 1. Specific national context

The relations that exist between the variables and trends of change do not function in a vacuum. When a variables-oriented analysis seeks to identify the context in which these variables and relations operate, it does so strictly speaking to isolate (control for) the context and identify the effect of independent variable in question on other (dependent) variables of interest. It thus establishes the net effect *ceteris paribus*. Nonetheless, no country operates in the proverbial contextual vacuum that this type of model assumes. On the contrary, all countries do so in contexts that are affected by specific values of the so-called contextual variables in the variable-driven model. The live context is always that of each country, and never that of the statistical control model. More formally, the beta that arises, for example, from considering the relation between fiscal effort and poverty (general and average) does not have to be the relation that arises when considering the change in a unit of fiscal effort with respect to poverty, given the specific context of the countries. Nonetheless, without putting forward formal models, the intuitive idea of a specific national context forces one to think of the trends, relations between variables, and challenges facing the countries, aside from the regional averages. Lastly, the context that can be constructed from the standardized variables and compared with general parameters, will always be poorer and/or more limited than those that arise from a consideration of variables and factors which do not have to be immediately comparable. It is true that this exercise loses elegance and parsimony, but the gain is in detail and live context. Nonetheless, as can be seen in the case studies introduced here, efforts are made to minimize the non-comparability problem, by requiring a least common denominator of standardized and comparable variables.

Moreover, if background historical and institutional development data are also considered within this information, a more complete understanding can be gained of the map of opportunities and constraints in which the creation of systems or programmes unfolds—in the case of countries where the former are not fully configured. This displays progressive trajectories and horizons in the universal extension of dissimilar social protection systems. For example, social protection policies are of longer standing and now more consolidated in countries such as Argentina, Chile and Uruguay; and these, in turn, are countries that have well-established social and political consensus as to the transforming role of social policy in the dynamics of socioeconomic development. Nonetheless, countries with more recent track records in this field, such as El Salvador, Guatemala or Honduras, reveal a substantially different starting point in terms of

the origin and scope of the policies in question.<sup>6</sup> The various politico-economic trajectories and factors in which the countries move will have a varied impact on the sustainability of the reforms undertaken, which are embodied in the final reflections on systemic challenges in many of the case studies.

## 2. Historical time

Chronological time can be measured in days, hours and years; but time for countries can also be measured by government terms of office, development stages and business cycles. This is historical time. By definition, the historical times of countries vary from one to another, but chronological time does not. The case studies make it possible to situate the trends of the fundamental variables of social protection and the transformations of its matrices in the real historical times of the countries. Time series based on chronological time remain important, but they are framed and specified by other historical times. Thus, a change of government in the country—such as the coming to power of the Workers Party in Brazil in 2003 (Robles and Mirosevic, 2013) or the Farabundo Martí National Liberation Front (FMLN) in El Salvador in 2009 (Martínez Franzoni, 2013a)—help to understand a change in public policy; and a recessionary period in another country—like 2006-2009 in Costa Rica (Román Vega, 2012)—helps to understand why an additional fiscal effort may achieve zero or modest progress in terms of poverty and inequality.

## 3. Inter-relationships between processes and outcomes

All analytical models seek to investigate the inter-relationships that exist between a broad set of relevant variables; but models driven by standardized and comparable descriptive variables sacrifice in complexity what they gain in comparability. Why did poverty in Latin America decline between 2002 and 2012? The recurrent explanation adduces a combination of improvements in employment rates, wages, social spending and demographic dependency rates. While this is true on average, the relative weight of each of these factors varies across countries. A general and comparative analytical model can cope with these variances, as shown by the analyses that ECLAC has been undertaking since the 2007 edition of its *Social Panorama of Latin America*, showing the importance of each factor in poverty reduction. Nonetheless, identifying the specific sequence in which these variables act in reducing poverty in each country inevitably requires a case study. In some countries, demographic trends have been crucial for making social spending more effective, whereas, in others, improvements in employment have played a fundamental role. The case studies introduced here do not dissolve these relations, but they organize the information to make this operation viable.

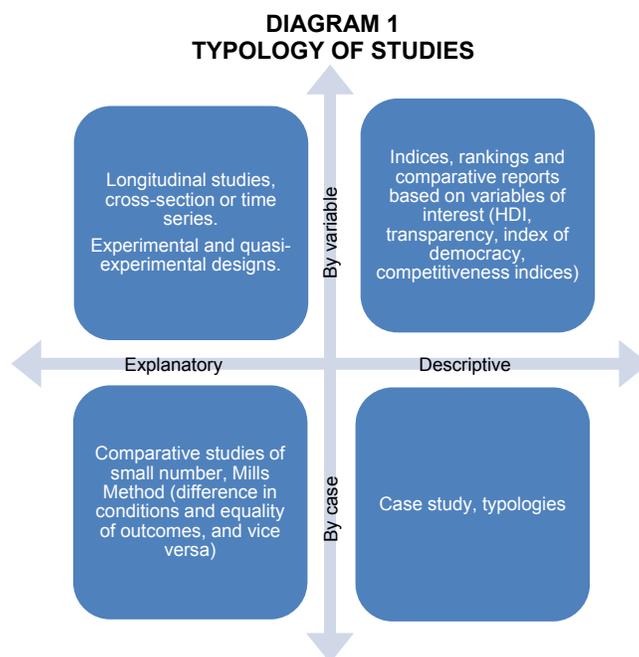
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<sup>6</sup> Even within this context, significant differences can be seen, owing to more recent political factors. While El Salvador is moving towards the seminal definition of a universal social protection system, Guatemala and Honduras display an even more sectoral approach to social and programmatic policy in the case of social protection.



### III. The variants of social protection systems in Latin America: degrees of development and types of welfare state

In addition to the distinction between variable-driven and case-driven studies, some studies seek to explain while others are essentially descriptive. Thus one can plot a variety of studies and research projects along two axes, in which the horizontal axis ranges from causal or expansionary models to descriptive ones, and the vertical axis spans case-driven models to variable-driven ones (see diagram 1).



Source: Prepared by the authors.

The lower right-hand quadrant shows the case studies of social protection systems, but also the typologies. The latter differ from the case studies in two fundamental and complementary ways: firstly, despite focusing on the case and the configuration, the studies work with a set of standardized and comparable variables for all cases. Secondly, their aim is comparative and theoretical, seeking to classify the cases in a set of exhaustive, inclusive, categories with theoretical-conceptual meaning.

These studies are not classified as variable-driven (as with rankings or indices), because the important factor is not the behaviour of variable *x* or *y*, or the country's relative position in respect of each individual variable or their sum, but the configuration of values of a multiplicity of variables in each case, and the way the variables differ or not, on the basis of these configurations in relevant theoretical dimensions. While the indices are descriptive systems with a single vector logic (human development index, democracy index) the typologies combine vectors in the space by defining types rather than levels. Examples of this are inertial poverty and recent poverty in the classic formulation used by Kaztman (1982) to classify poverty situations that are inconsistent between unmet basic needs (UBN) and income poverty; or the classic formulation of Esping-Andersen (1990) on social-democratic, liberal or corporate welfare to classify the de-mercantilization and de-familiarization capacities of their social protection systems.

In this regard, Latin America and the Caribbean are in a phase of knowledge accumulation on social development that will make it possible to tackle a three-pronged challenge:

- (i) Firstly, based on a set of standardized variables obtained from years of data accumulation and analysis in ECLAC's Social Panorama of Latin America, supported by specific regional comparative studies, we are in a position to provide an initial criterion for classifying countries, in the form of an index or ranking (in other words, oriented by variables or a vector of variables). In particular, it is possible to adequately measure "welfare gaps". This is done by evaluating the capacity of countries to provide transfers and services to guarantee their population access to adequate consumption of goods and services, given their stage of the demographic transition, labour-market maturity and government capacity.
- (ii) Secondly, within this first major index-type classification, it is also possible to use another set of standardized variables to propose a typology that distinguishes between countries with similar welfare gaps but different welfare-regime configurations (including, in this notion of welfare regimes, dimensions relating to the social protection and promotion system, market dimensions and the demographic characteristics of families). Here the aim is not to establish levels but types. Countries with similar welfare gaps may have more segmented or egalitarian configurations and more productivist or protectionist regimes, or else more statist or more market-centred ones.
- (iii) Lastly, the case studies on social protection systems introduced in this document make it possible to inform and guard against typologies showing variations not captured by the standardized variables which question or nuance a country's membership of one or other type of social welfare regime.

## A. Welfare gaps: a classification of capacities, effort and limits

There is a wide-ranging literature that has characterized, typified and/or organized social protection systems and welfare states in the region.<sup>7</sup> Based on such contributions and recent data produced in the region on social spending, the coverage of protection systems and social services, the capacity of the

<sup>7</sup> See, in this regard, the pioneering work of Carmelo Mesa-Lago (1977), as well as Filgueira (1998, 2005), Uthoff, Vera and Ruedi (2006), Martínez Franzoni (2008), Barba (2003) and Cecchini and Martínez (2011). Although Cuba, Haiti, Trinidad and Tobago, and Jamaica have not generally been included in previous analyses, they are incorporated here through basic variables (GDP, combined dependency rate). Nonetheless, owing to a lack of substantive information, they generally do not form part of the original analysis of groups or of the averages in descriptive variables presented below.

labour market to offer adequate income to the population and the role of families in social protection, this document sets forth a new classification of social-welfare regimes in the region.

This does not aim to replace either the overview studies based on key variables or the case studies presented here. Essentially it represents an intermediate strategy that draws on the standardized data contained in the various editions of ECLAC *Social Panorama of Latin America*, and the contextualized data and information provided in the case studies. Its purpose is to offer an initial guiding taxonomy for reviewing the overview studies and for interpreting the national case studies on the basis of theoretical and comparative categories.

The capacities of governments, labour markets and goods and services markets to provide individuals with adequate access to basic material and symbolic consumption reflect long-term economic, political and demographic processes. These capacities are the result of the transformation of societies that are transiting from a situation in which productive activity is undertaken in traditional rural economies towards one in which that activity is carried out in modern urban economies. Each stage corresponds to a historical moment associated with the level and style of the country's development. In each stage, labour issues interact and are reinforced by citizens' behaviour in terms of reproduction, family composition and the human capital formation of their members. In traditional societies, the family is extended, with high levels of fertility; the predominant roles in the household are linked to work, but are not considered as paid employment; the main income-earners work predominantly in conditions of underemployment and attach little importance to improving their skills. In modern societies, families are predominantly nuclear and increasingly single-parent; fertility has declined; there are better conditions for reconciling household and labour-market roles; underemployment is correlated with skill deficiencies; and, although the number of income-earners in the families is larger, they are starting to become vulnerable to problems of open unemployment.

When fertility starts to decline, the number of individuals in potentially productive age groups (between 15 and 64 years of age) increases more than the rest of the population. In fact, in all Latin American and Caribbean countries, we are still living in a period of demographic opportunities (the "demographic bonus") characterized by a large increase in the potentially productive population (between 15 and 64 years of age) and the so-called "dependent" population (under 16 and over 65 years old). This period comes to an end when the dependent population starts to grow faster than the potentially productive population, thereby launching a phase of ageing in which older adults (over 65 years of age) start to predominate among the dependent sector. From the standpoint of financing social protection, the demographic bonus starts in phases of high levels of underemployment and weak tax bases, so social protection has minimal coverage. The persistence of underemployment and the slow growth of tax revenue during those stages means that little progress is made in increasing the coverage of social protection.

Understanding the context of each country as a result of the specific transition processes unfolding in its labour market, along with the transition in fertility and the age structure, is essential for analysing the strengths and weaknesses of its social protection systems and suggesting ways to reform them. Moreover, the individual revenue and spending capacities of countries should be taken into account when considering reforms and potential courses for their social protection systems.

In short, two broad dimensions can be used to classify countries by what could be defined as a "welfare gap". Firstly, it is necessary to consider a society's capacity to generate income through the labour market to sustain its members. Secondly, account needs to be taken of government capacities to provide sustenance and protection to those who lack income or have insufficient income.

In addition to the population group that has traditionally been considered dependent on the grounds of age, not all of the 15-65-year-old population of Latin America and the Caribbean succeeds in gaining access to paid productive activities.<sup>8</sup> In fact, apart from the traditional distinction between the

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<sup>8</sup> The distinction reflects conventional definitions of what is a productive economic activity and what is not. Usually, productive activities encompass workers who engage in economic activity outside or inside the home and for which they receive remuneration.

economically active and inactive population, dependants also include those who, while in the productive age bracket, are not participating in the labour market, or are doing so in a precarious manner and with low incomes. This population therefore “depends” on workers who are engaged in medium- or high-productivity sectors (Uthoff, Vera and Ruedi, 2006).

In particular, there are three situations related to the link individuals have with the labour market, in which society (that is, family or government) would need to transfer resources to them to satisfy their consumption needs, and who are to some extent “dependent”, or at least partially so.

Firstly, there are people of working age who do not work, either because they do not need to, or because they have insufficient incentive to do so, or because they face major difficulties in doing so. There are also people who, while wishing to be employed and actively seeking job opportunities, cannot find jobs and are classified as unemployed. Lastly, there are people who are employed in jobs that either lack suitable conditions for fulfilling their productive potential and/or do not give access to social protection.

“Dependants” are therefore defined through a combination of two factors: demographic factors (associated with the age structure); and factors relating to employment status (associated with the individual’s involvement in the labour market). This combination can be used to define a status of labour dependency, to refer to the number of people who are dependent for demographic reasons (individuals under 15 years of age and older than 65), plus those who would be wholly or partially dependent owing to their labour market status (inactive between 15 and 59 years of age, unemployed, and those who are employed in low productivity or informal jobs between 15 and 59 years of age). This can be used to define a first “welfare curve”, in which countries can be ranked by their capacity to generate sufficient income from the labour market, because the number of dependants per formal worker declines as the country’s per capita GDP rises.

The second “welfare curve” focuses on the countries’ fiscal capacities and fiscal effort. Given a certain level of wealth in each country, it is possible to estimate a potential taxation level, which, in turn, translates into a potential level of social spending. Considering a basic provision considered decent, it is therefore possible to estimate how many of the dependants that cannot be covered by income provided from persons who are active in the labour market, it would be possible to cover through the States’ fiscal capacities. This defines a second “welfare curve” related to the welfare guarantees that the government could provide to the dependent population, through income transfers.

This exercise was conducted by Uthoff, Vera and Ruedi (2006); and figure 1 shows the updated version published in ECLAC (2010). The results obtained from data spanning 2002 to 2006, make it possible to distinguish three large groups of countries: those with severe, moderate and small welfare gaps (see table 1). This grouping was used in ECLAC (2010) in its document *Time for equality: closing gaps, opening trails* which Cecchini and Martínez (2011) then used with a number of amendments to take account of newly available data.<sup>9</sup>

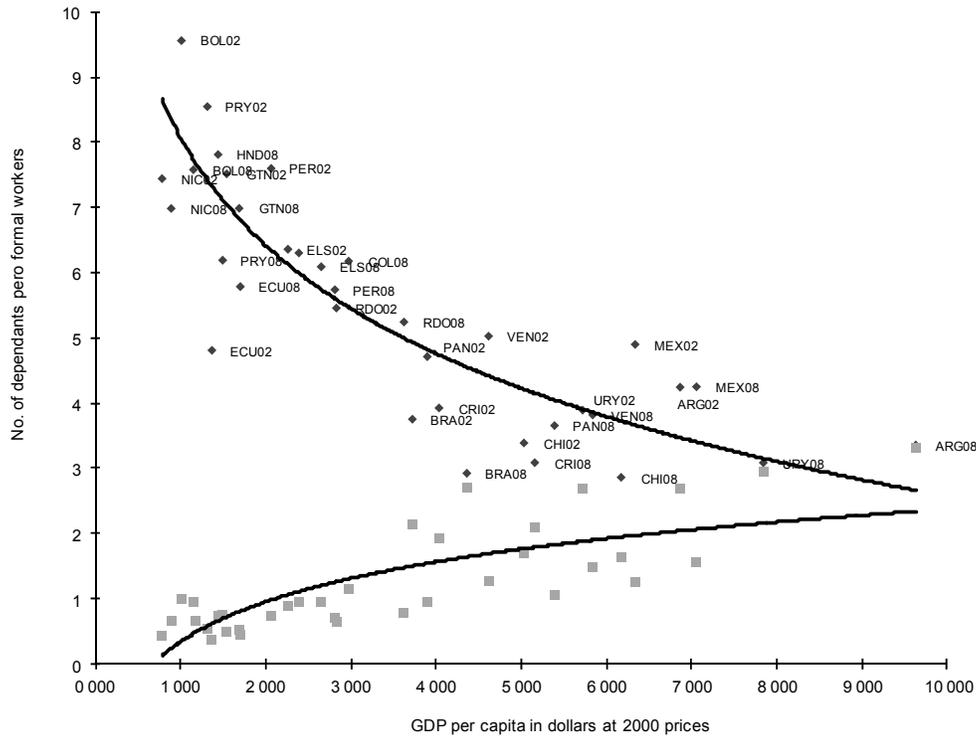
Although this study performs a different exercise in terms of details and technique, it is conceptually equivalent; more recent data are also used to bring these groupings up to date. The variables analysed are similar, but the aim is to use a standardized grouping method such as hierarchical conglomerate analysis.

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In fact, remuneration is seen as the way society values their contribution to the productive process. This approach is seriously criticized by those who value the contribution made to the development process by the care economy.

<sup>9</sup> In particular, both in ECLAC (2010) and in Cecchini and Martínez (2011), Colombia was added to the group of countries with moderate welfare gaps, and Panama joined the group with small gaps.

**FIGURE 1**  
**NUMBER OF DEPENDANTS PER FORMAL<sup>a</sup> WORKER, AROUND 2002 AND 2008**



Source: Economic Commission for Latin America and the Caribbean (ECLAC) (2010).

<sup>a</sup> Population of under 15 years of age plus the population of 15-64 years of age (inactive, plus unemployed, plus informal workers), plus the population over 65 years of age, with respect to the population of 15-65 years of age (formal workers).

**TABLE 1**  
**GROUPS OF COUNTRIES ACCORDING TO THE FORMAL DEPENDENCY INDICATOR, AROUND 2006**

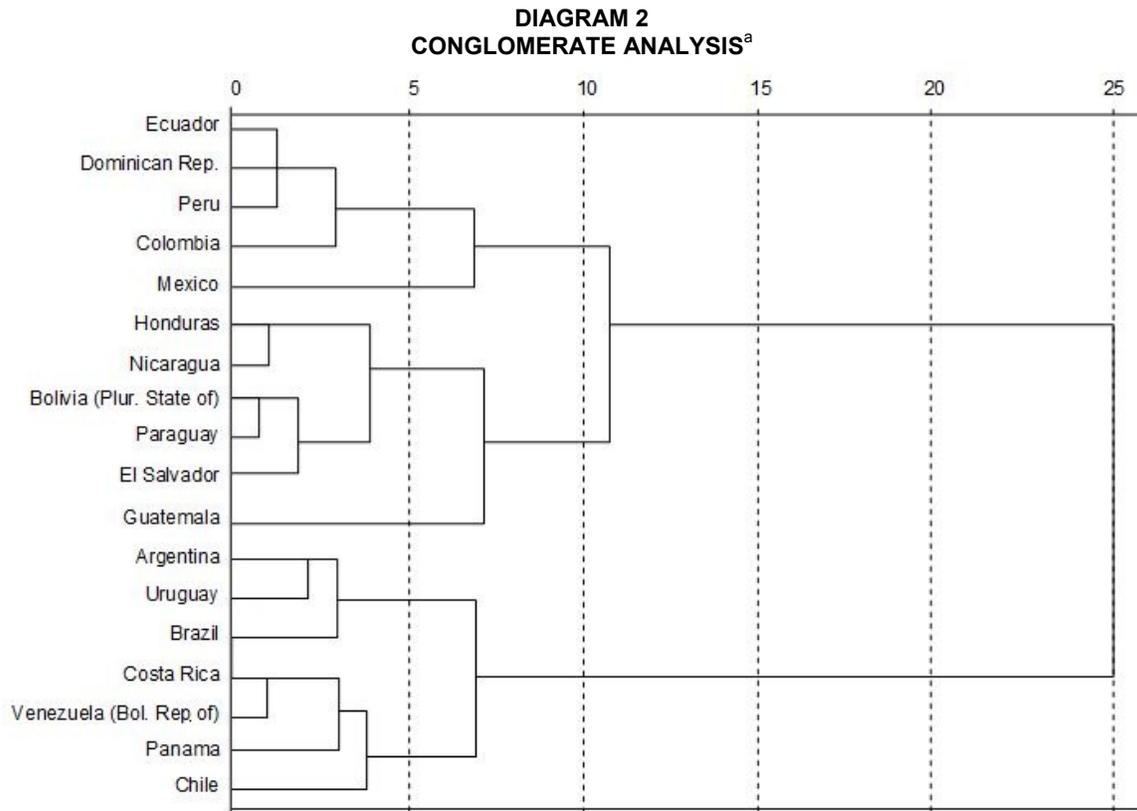
Severe gaps	Moderate gaps	Small gaps
Bolivia (Pluralational State of), Ecuador, El Salvador, Honduras, Guatemala, Nicaragua, Paraguay, Peru, Dominican Republic	Mexico, Panama, Venezuela (Bolivarian Republic of)	Argentina, Brazil, Costa Rica, Chile, Uruguay

Source: Prepared by the authors, on the basis of Uthoff, Vera and Ruedi (2006).

The variables considered in this document are per capita GDP, the combined demographic dependency rates, wage-earning workers who contribute to the social security system, per capita real social spending, expenditure on social security and social assistance as a percentage of GDP, and the percentage of individuals over 15 years of age who are employed but below the poverty line (see table A.1 of the appendix). The latter is a proxy measure for persons who are employed but do not have the capacity to generate adequate income, which is part of the assumption made by Uthoff, Vera and Ruedi (2006) when considering the relation between wage-earners and dependants, defining the latter not only as demographic dependants but also those who are dependent because they are not working or because they do not earn sufficient income.

In this way, the conglomerates analysis model combines a first dimension which relates to, or is equivalent to, the first welfare gap curve in the analysis of Uthoff, Vera and Ruedi (2006). This dimension is represented by the wealth of the country (per capita GDP) and the (in)ability of its labour market to generate adequate jobs (percentage of employed persons living below the poverty line and wage-earners in formal jobs making contributions), together with the relative size of its dependent population (the demographic dependency rate). In addition, the capacity and effort the country displays in addressing this gap is represented by per capita real social spending and expenditure on income transfers as a percentage of GDP.

The study uses the hierarchical conglomerates method, which groups countries together on the basis of similarity, starting from the individual case and performing iterations that successively relax the similarity criteria to reach a single final conglomerate. The analyst can define a number (or range) of desirable conglomerates. On that basis and a number of iterations that arises from the real distances between cases in terms of the variables considered, the technique produces the corresponding groupings. The most immediate graphical way to observe these groupings is in a tree-diagram. Diagram 2 shows that in iteration zero, each case is a conglomerate, but before the fifth iteration, four large conglomerates can be identified (although some countries do not adapt to any of these conglomerates). In the seventh iteration, there are three large conglomerates which now encompass all countries.



Source: Prepared by the authors on the basis of data from the Economic Commission for Latin America and the Caribbean (ECLAC), the World Bank, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Inter-American Development Bank (IDB), circa 2012.

<sup>a</sup> Conglomerate combination with rescaled distance.

In the seventh iteration, there are clearly three large conglomerates displaying severe, moderate and small welfare gaps. The 2006 grouping is redefined, with the number of countries with severe gaps decreasing and countries with moderate gaps increasing. This is consistent both with the standardized data that show economic and social improvements, and with the case studies that display significant increases in

fiscal efforts and initiatives to expand social protection coverage. In addition, three countries that were not included on the original list can be attached to one or other group, based on a conglomerates analysis performed with fewer variables (per capita GDP, dependency rate and per capita real spending), because they do not have information on the other variables. These countries are Cuba, Jamaica, and Trinidad and Tobago. Lastly, Haiti is not included in any of these conglomerates and is in the extreme gaps category. Table 2 summarizes the new classification of the region's countries.

**TABLE 2**  
**GROUPS OF COUNTRIES DEFINED BY CONGLOMERATES ANALYSIS, AROUND 2012**

Severe gaps	Moderate gaps	Small gaps
Bolivia (Plurinational State of), El Salvador, Honduras, Guatemala, Nicaragua, Paraguay	Colombia, Ecuador, Mexico, Peru, Dominican Republic,	Argentina, Brazil, Costa Rica, Chile, Panama, Uruguay, Venezuela (Bolivarian Republic of)

Source: Prepared by the authors on the basis of data from the Economic Commission for Latin America and the Caribbean (ECLAC). The table does not include countries for which insufficient information was available. Jamaica belongs to the moderate-gap group owing to its GDP and dependency rates. Cuba and Trinidad and Tobago would be in the small-gap group for the same reasons.

In addition to the predictable ranking on the variables used for the conglomerates analysis, the groups rank as expected in terms of another set of characteristics of their welfare regimes. Tables 3-6 use group-averages to illustrate the capacities of these countries, their dependency burden and its type, the robustness of their labour markets in achieving adequate levels of employment and remuneration, the coverage of their social protection systems and sectoral social policies, tax effort in terms of revenue and social spending, their social spending profile, and the importance of the family domain in providing social sustenance and a basic system of solidarity and protection.

**TABLE 3**  
**CAPACITY INDICATORS BY COUNTRY GROUPS, AROUND 2010/2012<sup>a</sup>**

	GDP per capita (dollars at 2005 prices) <sup>b</sup>	Dependency rate	Child dependency rate <sup>c</sup>	Dependency rate among adults aged 65 years and older <sup>c</sup>	Incidence of poverty (percentages) <sup>b,d</sup>
Small gaps	7 561	49.5	36.1	13.4	15.3
Moderate gaps	4 928	56.9	47.1	9.9	33.4
Severe gaps	1 880	69.0	60.6	8.4	52.0

Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America 2012*, and Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, *Demographic Bulletin 2012*.

<sup>a</sup> Simple averages, excluding Cuba.

<sup>b</sup> 2012.

<sup>c</sup> 2010.

<sup>d</sup> The poverty averages do not include Jamaica or Trinidad and Tobago.

Capacity differences, whether owing to average wealth or to the demographic stages the countries are passing through, are pronounced: with dependency rates exploiting the demographic bonus in countries with small gaps but already significant degrees of ageing; initial demographic bonus in the case of countries with moderate gaps; and an even more significant stage of demographic dependency and a high child dependency rate in countries with severe gaps. These capacity differences are clearly reflected in the poverty levels prevailing in each country grouping (see table 3). There are also clear differences in terms of capacity to generate tax revenue and social spending between countries that have small gaps and the others. Nonetheless, distances in terms of taxation between countries with severe and moderate gaps are non-existent (in fact, the

differences favour countries with severe gaps), which suggests a very low fiscal effort being made by countries with moderate gaps. Social spending as a percentage of GDP is also lower than in countries with severe gaps, demonstrating a low social effort; although, their social spending per capita is higher, given their average wealth (see table 4).

**TABLE 4**  
**INDICATORS OF EFFORT BY COUNTRY GROUPS, AROUND 2012<sup>a</sup>**

	Tax revenue (percentages of GDP) <sup>b</sup>	Social public spending (percentages of GDP)	Social public spending per capita (dollars)
Small gaps	24.1	22.2	1 558
Moderate gaps	15.9	9.7	490
Severe gaps	16.9	10.8	218

Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC) *Social Panorama of Latin America 2012* and *Fiscal Panorama of Latin America 2012*.

<sup>a</sup> Simple averages, excluding Cuba.

<sup>b</sup> Includes social security. Does not include Jamaica or Trinidad and Tobago.

The very different gaps in terms of capacities and efforts are clearly reflected in social protection coverage levels, and in the degree to which the population receives education and health benefits (see table 5).

**TABLE 5**  
**INDICATORS OF SOCIAL PROTECTION COVERAGE BY COUNTRY GROUPS,  
AROUND 2011/2012<sup>a</sup>**

	Pension coverage (percentages of population of 65 years of age and older)	Wage-earners with pension coverage	Combined primary and secondary enrolment rate (average)	Employed persons with pension coverage	Employed persons with health coverage
Small gaps	75.7	72.5	86.0	67.1	84.8
Moderate gaps	25.0	55.4	77.2	35.6	65.6
Severe gaps	12.7	37.6	71.7	19.4	25.3

Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC) *Social Panorama of Latin America 2012*, and United Nations Educational, Scientific and Cultural Organization (UNESCO).

<sup>a</sup> Simple averages, not including Cuba, Jamaica or Trinidad and Tobago.

The lack of a robust system of State-guaranteed benefits and protections necessarily entails a much more pronounced role for the market and out-of-pocket spending to gain access to benefits, and a situation in which welfare depends heavily on multiple family survival strategies ranging from child labour to immigration (see table 6).

**TABLE 6**  
**INDICATORS OF FAMILY SURVIVAL STRATEGIES BY COUNTRY GROUPS, AROUND, 2012<sup>a</sup>**

	Private spending on health (percentages of total household expenditure)	Remittances from abroad (percentage of GDP)	Extended and composite families (percentages)	Child labour (10-14 years of age) (percentages)	Percentage of individuals declaring out-of-pocket spending on health
Small gaps	3.5	0.85	20.7	3.3	23.3
Moderate gaps	4.9	3.55	25.5	15.8	57.5
Severe gaps	5.8	11.87	27.7	19.2	71.9

Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC) *Social Panorama of Latin America 2012*, and Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, *Demographic Bulletin 2012*.

<sup>a</sup> Simple averages, not including Cuba, Jamaica or Trinidad and Tobago.

## B. Countries with a severe welfare gap

These countries have a demographic structure that reflects relatively high levels of fertility, characterized by a young population. Their weak labour market is characterized by few formal jobs, low wages or remuneration levels, and a burden of dependants consisting not only of young people, but by a large contingent of unpaid family workers and an informal subsistence sector. As many as 75% of the “dependants” of formal workers are young and informal workers, while the remainder are inactive, unemployed, and elderly. Their development level measured by per capita GDP is below US\$ 2,000, which, in conjunction with a low tax burden, prevents them from allocating significant resources to meet the education needs of children, adolescents and young people; social security and assistance for working-age adults; and the health of the population at large. They display poverty rates in excess of 45%, in many cases affecting two thirds of the population; and social security coverage among the employed at less than 30%. The existence of labour markets dominated by underemployment, the low capacity of the State to allocate resources, concentrated access to narrow financial markets, and the low valuation attached to skill development, restrict social mobility and limit capacity to change social structures.<sup>10</sup>

The strategies deployed by households to cope with their lack of protection include higher private and out-of-pocket spending on health care, higher rates of child labour, or migration to obtain family incomes through remittances (see table 6). These indicators raise the alert, not only in terms of welfare gaps, but also in respect of the potentially severe consequences for peace and social cohesion, as shown in the case studies of El Salvador, Guatemala and Honduras (Martínez Franzoni, 2013a; 2013b and 2013c).

## C. Countries with a moderate welfare gap

These countries have a demographic structure that reflects the fertility reductions that have been unfolding since the 1970s and, as a result, have a smaller proportion of young people among their dependants. They have a more formalized labour market than the previous group, but in some cases show incipient population ageing. As their education coverage extends beyond secondary school, there are more inactive individuals among dependants; and, in conjunction with young people under 15 years of age, they account to 60% of dependent people per formal worker. The remainder are older adults, persons in informal jobs and the unemployed. Their economic development level is around US\$ 5,000 per capita. Although they have very low tax burdens for their GDP level, their higher income levels make it possible to pay higher social benefits to target population groups in the areas of education, social security and assistance and health. Their poverty rates are between 40% and 30%, and they display a

<sup>10</sup> In the case of the Plurinational State of Bolivia, it has been possible to strengthen the State through higher taxes, and to draw on revenues earned from the exploitation of natural resources. As a result, poverty has been reduced independently of the country’s demographic structure and/or the formalization of its labour market.

social security coverage of around 35% of employed people in terms of pensions and 65% in terms of health care. The main nuances in the predominance of some welfare provider again reflect the higher development levels attained by societies with governments that are supported by natural-resource revenues (Mexico, Peru and Ecuador). These countries tend to have the capacity to allocate a higher percentage of GDP to social spending.

Nonetheless, these advantages do not produce very significant improvements in their social situation, as measured by the incidence of poverty. The greater labour-market dynamic is absorbed by applicants who are selected according to the quality of their education/training, which discriminates by social class and acts as a vehicle for transmitting inequalities between generations. The State has insufficient capacity to simultaneously finance the basic social protection network and the improvements needed in the quality of public education. Moreover, the expansion of financial markets discriminates by risk, selecting customers with higher levels of collateral. Access to education is segmented by income, without suitable solidarity mechanisms for its financing. Ultimately, the development of institutions in this group of countries tends to strengthen mechanisms that transmit inequalities in society.

#### **D. Countries with a small welfare gap**

These countries have the greatest potential to develop a welfare state. They report sharp falls in fertility during or before the 1960s, and have a population with an older age structure. As they have succeeded in raising the coverage of higher education, there are more inactive people who, in conjunction with proportion of older adults, children, adolescents and young people, represent 75% of dependants per formal worker. The remainder are informal workers and the unemployed. The development level measured by per capita GDP averages more than US\$ 7,500, with a high tax burden that supports social spending in excess of 20% of GDP. Their poverty rates are around 15% of the population, and they achieve social security coverage in excess of 60% of employed persons in terms of pensions and above 80% in health care.

These countries are more aware of the need to democratize the institutions that restrict the actions of social-mobility vehicles. Nonetheless, little progress has been made in terms of effects on inequality. Social protection systems remain segmented by the contributory capacity of their affiliates, so the primary inequalities generated in the labour market are reproduced. Changes implemented under universality principles restrict coverage according to the government's budgetary constraints and the lack of solidarity in financing, which results in universal access to basic provisions only. The public-private mix in the supply of education continues to be dominated by payment systems that prioritize efficiency over solidarity. The regulatory capacity of governments is unable to create the equal-access conditions that the original design of service provision systems fails to generate. Families are unable to express their desire to improve their education/skill levels through effective demand for an increase in the capacity of the services in question.

#### **E. Variants within the welfare gaps**

By using additional analytical variables to classify the countries,<sup>11</sup> it is possible to distinguish a number of additional typological variations within these three broad groupings. These variables aim to classify countries not only in terms of their welfare gaps but according to the orientations, efforts and levels of segmentation of their welfare regimes.

Based on an analysis of simple averages that adds to the variables considered in the gaps others related to the capacities of the State, markets and families to provide protection and access to resources, two subgroups with similar configurations can be identified within the small-gap country grouping:

<sup>11</sup> The following variables were considered in the analysis of averages: public expenditure on social security and assistance, public expenditure on education, public expenditure on health, pension coverage, percentage of private enrolment in primary school, percentage declaring out-of-pocket spending on health, and tax revenues as a percentage of GDP.

(i) countries with a more protectionist profile; and (ii) countries with a more productivist profile. Countries in the first category — Argentina, Brazil and Uruguay — have welfare regimes in which the State is highly protectionist, while families and markets show less inclusive and aggregative capacity than their small-gap counterparts.<sup>12</sup> States protect people who are outside markets, thanks to a major fiscal effort and coverage in pensions and social assistance; but the welfare regime generally displays problems relating to the weakness of markets in incorporating people, and less aggregative family structures, compounded by relatively small expenditure on provisions aimed at human capital (health and education).

The second case —the productivist model that includes Chile, Costa Rica and Panama— is characterized by a much smaller State in terms of protecting individuals outside the market, and a much heavier bias in terms of articulating with families and increasing the population's human capital. Their protectionist counterparts are more comparable to corporate-type models, albeit much more segmented than in European countries. Nonetheless, health spending is similar between the two subgroups, while spending on education is greater in the second. In the first subgroup, the general fiscal effort in terms of taxation and expenditure, particularly social security, is significantly higher than in the second; and there is a pronounced bias towards protecting persons who are not working; whereas in the second subgroup, the bias is focused on the skills of those who are working or who will work in the future.

The weight of the market and private efforts in more liberal and productivist countries is also significantly greater in terms of access to health and education, although their spending in these areas as a percentage of GDP is greater than in protectionist countries. This suggests greater segmentation in the quality of those services.

Although the indicators tend to support this general vision, the case studies add detail and context which warn against rigidifying the typology presented here. Costa Rica, for example, while displaying a lower tax burden and fewer protections through the income-transfer channel for those that do not work, has a subsidy system to encourage informal workers to access social security, together with a historical and ongoing effort on health which constitutes quite a significant protectionist base. Moreover the case study of Chile very clearly shows the shift of the productivist and strongly liberal model to another with pronounced social democratic components, albeit in a liberal framework, in terms of social protection and promotion: the System of Universal Access with Explicit Guarantees (the AUGÉ Plan), health reform, the solidarity pension, the recent reform of the licensing system and the expansion of childcare.

**TABLE 7**  
**SELECTED INDICATORS FOR TYPES AMONG SMALL-GAP COUNTRIES, AROUND 2012**

Subgroup	Protectionist	Liberal productivist
Social public spending on social security and assistance (percentages of GDP)	12.6	6.5
Social public spending on health (percentages of GDP)	5.79	4.27
Social public spending on education (percentages of GDP)	5.6	7.7
Pension coverage (percentages of population of 65 years of age and older)	87.0	73.9
Percentage private enrolment in primary school <sup>a</sup>	15.7	24.7
Percentage declaring out-of-pocket health expenditure	16.1	22.7
Tax revenues (percentages of GDP) <sup>a</sup>	32.1	18.2

Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC) and United Nations Educational, Scientific and Cultural Organization (UNESCO).

<sup>a</sup> Includes social security.

<sup>12</sup> Data for the Bolivarian Republic of Venezuela, Cuba and Trinidad and Tobago are not available for inclusion in this analysis.

Among the countries with moderate welfare gaps, two clear groupings can also be identified in terms of more protectionist models (Ecuador and Colombia) and more residual, liberal and productivist models (Mexico, Peru and the Dominican Republic). These groupings again contrast tax burdens and private access to health and education services. Here it is not the wealthiest countries in the moderate gap group that are the most protectionist. In fact, the Dominican Republic, Peru, and particularly Mexico, all have higher per capita GDPs than Ecuador's; while per capita GDP in the Dominican Republic and Mexico also exceeds that of Colombia. The case study of Ecuador (Naranjo Bonilla, 2013) clearly shows the reason for the welfare-gap category change (increased taxation, expenditure and coverage), and also reveals some of its most important tools (the Human Development Grant, and efforts in education and basic health care). Nonetheless, it also shows that these additional efforts on health, basic income transfers and education, coexist with a large system of social security and consumption subsidies, which have regressive or only slightly progressive features.

**TABLE 8**  
**SELECTED INDICATORS FOR TYPES WITHIN MODERATE-GAP COUNTRIES, AROUND 2012**

Types	Protectionist	Liberal productivist
Social public spending on social security and assistance (percentage of GDP)	4.3	2.7
Social public spending on health (percentage of GDP)	1.8	2.2
Social public spending on education (percentage of GDP)	3.9	3.0
Pension coverage (percentage of population of 65 years of age and older)	28.6	22.5
Percentage private enrolment in primary school	14.3	24.6
Percentage declaring out-of-pocket health expenditure	52.5	60.8
Tax revenues (percentage of GDP) <sup>a</sup>	19.1	13.7

Source: Prepared by the authors on the basis of economic commission to Latin America and the Caribbean (ECLAC) and United Nations Educational, Scientific and Cultural Organization (UNESCO).

<sup>a</sup> Include Social Security.

In countries of lower relative development, welfare states are fragile and small, and national labour markets inadequate; and, as noted above, families play a larger role, with greater reliance on the extended family. The importance of remittances, extended families and out-of-pocket health spending, are the other side of the coin in States with a low capacity for demercantilization and protection, and labour markets with low levels of inclusion offering highly precarious employment.<sup>13</sup> This is a relatively homogeneous group of countries in terms of tax burden (low), social spending (low), coverage (low) and out-of-pocket spending on health and education (moderate to high), particularly for their very low levels of income. Nonetheless, the one major exception is the Plurinational State of Bolivia, which, despite its very low GDP displays a tax and spending effort, and an achievement in terms of coverage of pensions, education and conditional cash transfer programmes (CCTs), which are well above those of its peers.

<sup>13</sup> Haiti would probably be an extreme case of a family-based country with severe gaps, although the absence of data does not enable us to classify it as such. Lamaute-Brisson (2013) describes the scant and fragmented role played by the State in social protection, along with the provision of health and education services, the scope of the informal employment sector, and the heavy incidence of remittances and income from co-operation sources, among other factors.

## **F. The dynamics of welfare gaps and types of regime: what the case studies show**

Although exercises involving gaps and classifications are useful, they can prove misleading. In the case of gaps, the first reason why these exercises have serious limitations is that they assume an egalitarian pattern both in the distribution of both labour income and in social spending. Yet this is not true in either case. In the case of labour incomes, the distribution is far removed from equality; and in social spending, the distribution depends on the type of spending: when it is effectively targeted on income transfers, the pattern tends to be neutral with respect to the original income distribution, or else slightly progressive, but never egalitarian in terms of a perfect equality diagonal.

The other misperception that the gaps can foster is to suggest a determinism stemming from GDP levels and demographic stages, together with another determinism in the potential paths of the countries. The gaps do suggest that a certain level of GDP corresponds to a certain welfare gap in terms of poverty and population with sufficient income. Nonetheless, there can be significant deviations from the trend curve in individual cases. Moreover, the reader may be tempted to assume that these gaps express the potential paths of the poorest countries into the future. It should be clear that the gaps arise from placing the countries in the bidimensional space in a moment in time, rather than locating a country throughout its history on axes of capacities and needs. For example, Costa Rica in the 1940s was much closer to the poorest countries in welfare-gap terms than it is today. That would reflect both its fiscal capacity and the development of its labour markets and productivity. Brazil also displayed a value on the fiscal-capacities dimension in 1980 that would not have predicted its current position. Lastly, Chile in the 1980s displayed values on the labour-income dimension that did not presage its current values.

Through their governments, countries take political decisions that change the values in both dimensions of capacities and efforts and the interactions between factors that determine them, along with the interaction between factors and one dimension or another. How many women work in a country? What is the productivity of the active population? What are its employment and unemployment levels? The answers to these questions are not predetermined for countries in  $t_1$  given their economic development levels in  $t_0$ . They depend on the predominant type of development and government action. This in turn will affect fertility and mortality rates, the population's human capital, and levels of investment and consumption. The State plays a key role in these processes; and in Latin America and the Caribbean, the welfare state can do much to help close welfare gaps.

In addition, the types to which the countries belong are not predetermined. It is true that they reflect configurations that contain an infinite number of lock-in and path-dependency effects. Nonetheless, the case of Chile perhaps most clearly shows that membership of one or other group is not rigid. Chile moved from a protectionist model of small gaps in the 1980s to an extreme productivist model of moderate gaps, before reverting to a model of small gaps with productivist components during the first coalition governments, and then resuming a protectionist component under its new liberal pattern, which starts to have social democratic characteristics as from the socialist governments of the coalition. Brazil abandoned a protectionist model in the 1970s to enter a much more universal protectionist model in the 1980s, and is currently debating between the protectionist and productivist components.

In short, there are no unique, pre-determined or deterministic paths. The recent history of the region contains possibilities that have been rejected through ideological prejudices, which have little to do with a contextualized and careful diagnostic study of the present situation of the countries of the region, or with judicious imagination based on historical experiences of other regions and times.

This is not a call to irresponsible voluntarism. There are structural parameters that restrict what is possible; and these, as illustrated in the preceding paragraphs, define very different starting points for the countries of the region. Understanding these differential constraints is crucial to avoid taking mistaken paths.



## **IV. Recent innovations in social protection systems**

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The 19 studies presented in the series reveal trends which, with different institutional forms and design details, are emerging in the region as vectors of social reform in the twenty-first century.

The first general finding from an overview of the 19 national case studies is that, over the last 10 years, the region has seen a major transformation of its social protection matrix and in its social policies generally. Secondly, the vectors of this transformation have a very different orientation than those of the reform of the 1980s and early 1990s. While that era saw a major retreat from, and downscaling of, State social action (reduction or freezing of social spending, privatization, close targeting, financing of demand, etc.), the new century has seen an expansion of State action in social areas (broader coverages; partial or full re-nationalization; increased social spending; combination of vectors of need, supply and demand to determine investment and fiscal effort).

In particular, attention should be paid to four clear trends that are discernible in the vast majority of the case studies: (i) the effort and increase in social protection coverage; (ii) an increase in the quality and variety of the social protection menu, both in terms of programmes and in the growing specificity of the population served;<sup>14</sup> (iii) increasing regulatory-institutional support for provisions (laws, earmarked fiscal allocations, a rights-based identification of beneficiaries); and (iv) the pursuit of greater coordination and synergy between different sectors and programmes in the social areas.

### **A. Efforts in terms of coverage: the new frontiers of universalism, contributory mechanisms and targeting**

For more than a decade Latin America and the Caribbean has been making a sustained effort to increase the coverage of social protection. This is reflected in at least four areas of social policy: retirement, pensions and other income transfers to older adults, income transfers to families with children, access to services and health insurance and, lastly, worker protection (insurance against illness and

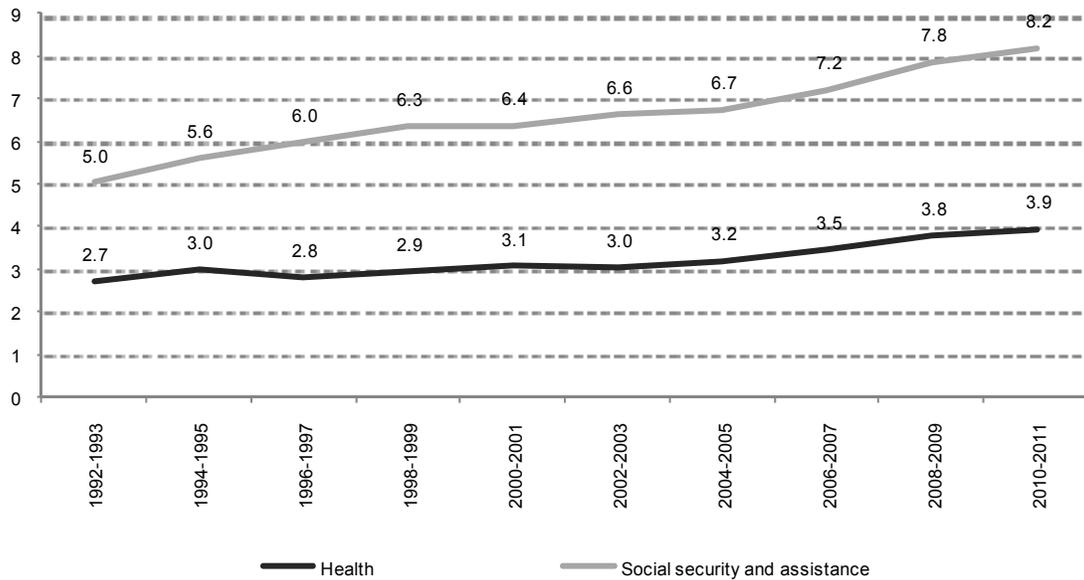
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<sup>14</sup> Examples of this are the specific social protection subsystems for early childhood developed in Brazil (*Brasil Carinhoso*) and in Chile (*Chile Crece Contigo*).

unemployment, together with labour-rights policies —severance pay, overtime, leave periods, etc.). In these four domains, the frontiers between the contributory and the non-contributory, between targeting and universality, and between the contributor and the recipient of the benefit, are being redefined.

It is important to determine both the magnitude of the efforts on coverage, and the forms those efforts take. In terms of magnitude, an approximate way to identify the incremental effort considers the increase in spending on social security and assistance, together with the increase in health spending (see figure 2).

**FIGURE 2**  
**LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): TREND OF PUBLIC EXPENDITURE ON SOCIAL SECURITY AND ASSISTANCE AND ON HEALTH, 1992-1993 TO 2010-2011<sup>a</sup>**

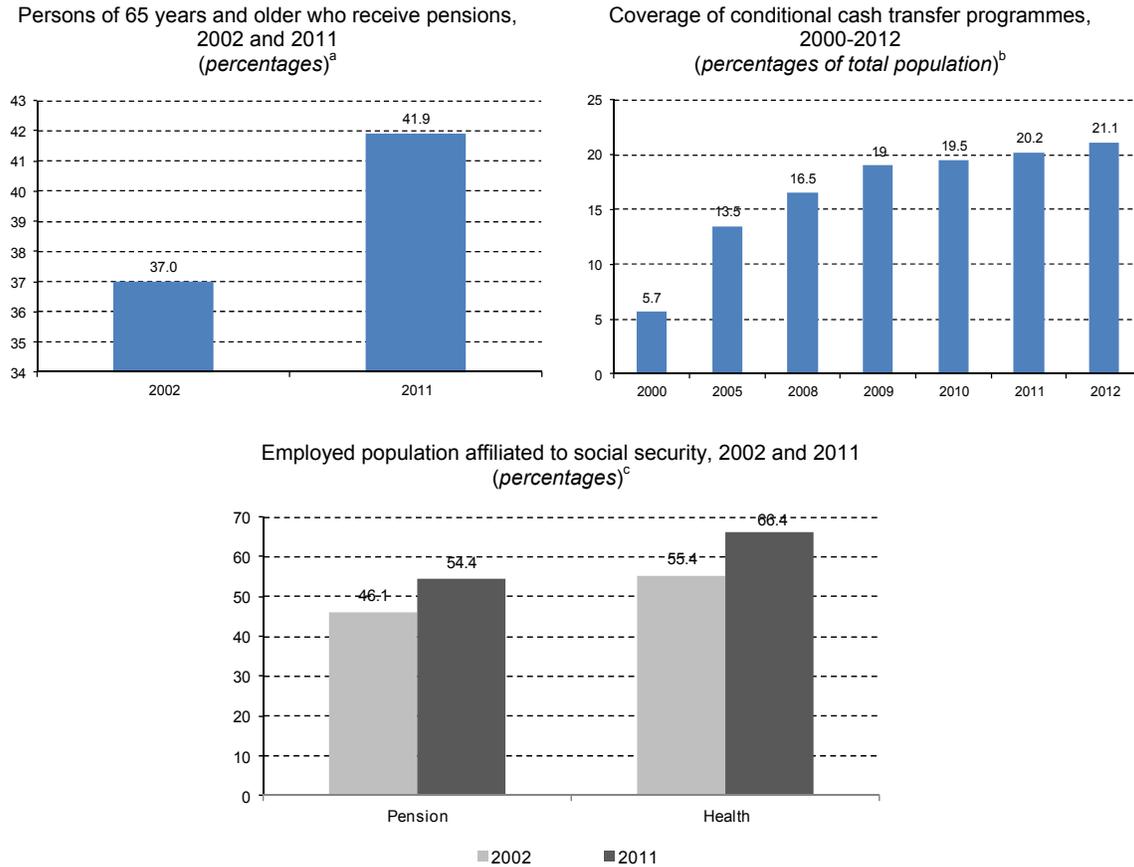


Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Expenditure Database.  
<sup>a</sup> Weighted average of the countries.

In terms of coverage, four clear trends can be noted: an increase in the coverage of pensions for the 65+ population; increases in the number of families with children receiving an income transfer from the State; growth in the employed population that contributes to social security; and an increase in the population with some type of health service coverage (see figure 3).

The case studies also generate institutional data on the modalities of coverage expansion. It is important to distinguish and conceptually rank the various underlying and immediate causes of this increase in coverage, of which three can be identified: (i) improvements in the labour market (either as a result of improvements in the supply of jobs or regulatory and control aspects) which, by increasing formality, expand the coverage of the contributory base; (ii) changes in the design of the eligibility of the contributory base, which facilitate access by making eligibility conditions and criteria more flexible; and (iii) expansions based on non-contributory policies, financed out of general revenues, whether universal or targeted.

**FIGURE 3**  
**LATIN AMERICA AND THE CARIBBEAN: INCREASES IN SOCIAL PROTECTION COVERAGE**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), database on non-contributory social protection programmes in Latin America and the Caribbean, and special tabulations from household surveys.

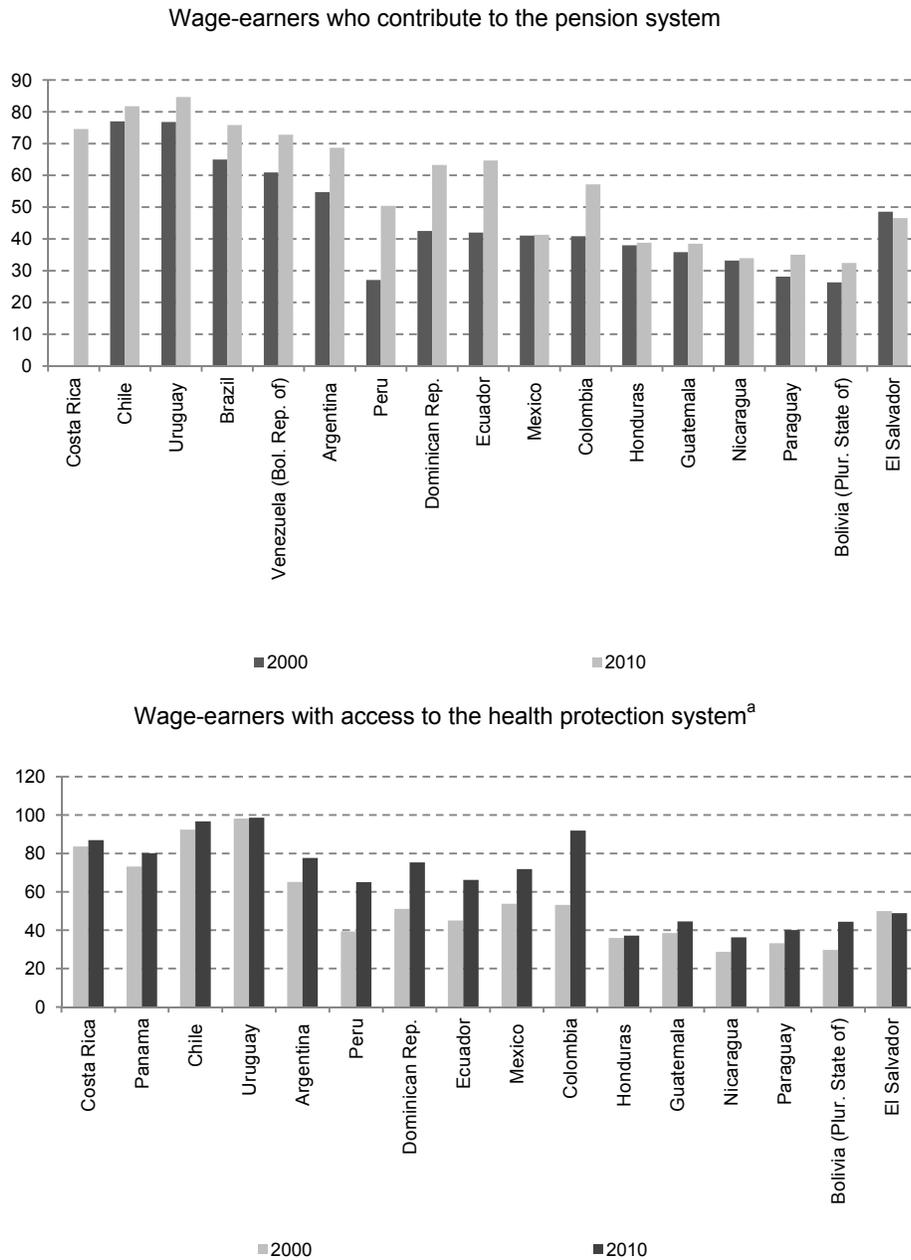
<sup>a</sup> Simple average of 14 countries.

<sup>b</sup> Weighted average of 19 countries.

<sup>c</sup> Simple average of 16 countries.

A major part of the improvement in the coverage of social security for the active population in the region reflects substantial improvements in the quality of employment and an increase in the State's controlling and regulatory role. Nearly all of the case studies document improvements in terms of employment, and many of them mention improvements in the State's oversight and regulatory role. Uruguay is an example of a country that has made improvements based on the oversight role in relation to social security generally (Filgueira and Hernández, 2012); and Ecuador is an example in terms of health (Naranjo Bonilla, 2013). Nonetheless, in nearly all countries rates of affiliation to contributory social security increased among wage-earners and the employed population generally. Figure 4 shows progress made for the wage-earners both in terms of health insurance and in contributory pensions and social security.

**FIGURE 4**  
**LATIN AMERICA AND THE CARIBBEAN: WAGE-EARNERS WHO CONTRIBUTE TO THE PENSION SYSTEM AND HAVE ACCESS TO THE HEALTH PROTECTION SYSTEM, AROUND 2000 AND 2010**  
*(Percentages)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2013.  
<sup>a</sup> Brazil is not included in the case study because the household survey does not make it possible to extract the relevant information. Given the existence of the Unified Health System (SUS) providing non-contributory guarantees, coverage is 100%.

Part of the increase shown in figure 2 also reflects explicit policies to make access conditions more flexible and to subsidize access to the various social security programmes. While the privatizing and parametric reforms of the 1980s and 1990s sought to restrict access to social protection according to payment capacity and both fiscal and actuarial control, the reforms of this new century are aimed in the

opposite direction and seek to expand avenues of access to social security beyond perfect contributory equivalences. There are two clear pieces of evidence of the restrictive past in terms of pensions.

The reform implemented at the start of the new century in Costa Rica has substantially increased coverage for self-employed workers. The same is true of the Uruguayan reform of 2007 in terms of pensions and retirement benefits, which reduces the number of years' contribution required, while proportionally lowering replacement rates to avoid increasing actuarial insolvency risks which had long been threatening the Uruguayan system. Another mode of reform which has permitted significant coverage increases is the inclusion of dependent family members in the insurance if one of the adults contributes to the system. The creation of the National Health Fund in Uruguay is a prime example of this family-targeted semi-contributory modality.

The other way in which coverage has been expanded is through non-contributory modalities. The dominant non-contributory modality in the region has been targeted policies, although other universal alternatives have also existed. In the case of pensions and health care, there are a few cases that are clearly universal and non-contributory, with the Plurinational State of Bolivia and Trinidad and Tobago the most outstanding examples in terms of pensions. The universal pension, known initially as the "*pensión alimentaria*" [food pension] of the Federal District of Mexico, is another example of this type. In the case of transfers to families with children, no country in the region has a non-contributory universal model. In health care, however, Brazil is a pioneer in the region, having created the Unified Health System over two decades ago, to which all citizens have access. The Anglo-Saxon Caribbean countries also have citizen-wide public health systems, as shown in the case studies of Jamaica (Lavigne and Vargas, 2013b) and of Trinidad and Tobago (Robles and Vargas, 2013).

Among targeted policies, it is important distinguish between those that target population groups living in poverty or extreme poverty, from those that pay benefits to anyone who lacks contributory coverage. Rofman, Apella and Vezza (2014) distinguish between those two types of targeting in the case of pensions; but it would also be worthwhile doing the same in terms of health care and transfers to families with children. Nonetheless, in the latter area, targeting by need or poverty clearly predominates over targeting aimed at completing universal coverage, because few countries have extended family benefit contributory systems. The country that comes closest to this universalization alternative in respect of family benefits is Argentina, with the Universal Child Allowance for Social Protection (AUH) which is paid to people who do not receive a contributory benefit. The other countries in the region have made significant changes in terms of income coverage for families with children, but have done so in a targeted fashion, with eligibility determined through a means test. The dominant vehicle for these transfers has been conditional (or co-responsibility) cash transfer programmes (CCPs).<sup>15</sup>

In the pensions area, several countries have created or expanded their welfare pensions, in some cases to reach poor or very poor population groups, but in other cases to complete (universalize) coverage, by filling the gaps in contributory systems. Countries in the second category include Argentina, Chile, Costa Rica and Uruguay, as models of segmented universalization, while Panama targets people over 70 years of age with UBNs who do not have a pension (Rodríguez Mojica, 2013). Mexico is increasingly moving towards a very modest universal basic floor for pensions, based on the experience of the Federal District, as are countries such as Ecuador with the Human Development Grant, and the Plurinational State of Bolivia with its *Renta Dignidad* [Decent Income] programme.

In health care, insurance has expanded through a combination of targeted policies (Mexico) and the extension of coverage to family members of the contributing population in contributory health insurance systems (Uruguay). Other countries have generated a guaranteed basic set of provisions (Chile with the AUGE Plan), while others have expanded and universalized coverage in segmented models (Colombia). Lastly, a large group of countries has expanded non-contributory coverage and provisions to specific population groups (particularly mothers with young children and in some cases pensioners) through special plans and programmes that either enhance access in the public pillar or else subsidize

<sup>15</sup> A new benefit to help overcome extreme poverty has been introduced by Brazil's *Bolsa Familia* CCT, which pays an unconditional monetary transfer to indigent families, irrespective of whether they have children.

private supply to give access to vulnerable population groups (Argentina with *Plan Nacer*; Uruguay with the Integrated National Health System (SNIS) among pensioners, Peru with the Integrated Health Service (SIS) with school insurance and mother-child insurance, as well as an expansion to adolescents).

## B. New benefits, new risks covered, new social investments

Another important source of innovations relates not to expanding the coverage of traditional risks but benefits that seek to cover new risks, or risks that were previously not covered by the system, and to generate new rationales that combine protection and social investment. The area that has developed most in this regard is the education and care component, followed by labour-market protection policies (unemployment insurance, policies on maternal and family leave, and active employment policies).

Nearly all countries in the region have extended the ages of education coverage towards preschool children (3-6 years), and many have created care facilities for children from birth to two years old. The cases of Uruguay (Early Childhood and Family Care Centres (CAIF)), Argentina (preschool and crèche services in provincial and municipal programmes), Chile (crèche and preschool), Mexico (with its strategy of subsidies for community-based early childhood care), Brazil (with an expansion of child-care centres), Peru (with the Non-school Early Education Programme – PRONEI) and Panama with a combination of initial education to the rural population and Home-Based Indigenous Education (EIH), Family and Community Education Centres for Vulnerable Population Groups (CEFACEL) and the Community Initial Education Centres (CEIC) are among the key examples. In line with these institutional developments, general evidence shows a significant increase in enrolment in early childhood services and early schooling in the vast majority of countries (UNESCO, 2010; Itzovich, 2013).

In terms of integrated care, synergetic efforts have also been promoted by a number of countries in the region to set up genuine systems or subsystems of social early childhood protection, which also includes the care component. Key examples are those of Brazil (*Brasil Carinhoso*), Chile (*Chile Crece Contigo*), Colombia (*De cero a siempre*) and, more recently, Uruguay (*Uruguay Crece Contigo*). These systems aim to consolidate integrated care and social protection mechanisms targeting early childhood, which is frequently rendered invisible within the household or family as a unit of social protection design and analysis. Progress still needs to be made along similar lines for the entire child and adolescent population, to thus set up integrated social protection systems for this group (UNICEF, 2013) in a region heavily characterized by the infantilization of poverty.

A large group of countries has embarked on transforming or strengthening their protection and promotion policies for workers. Part of this process has been documented in the previous section, which noted a significant increase in the number of wage-earners and other employed people protected by social security systems. This has generated a significant increase in the population covered by unemployment insurance (Uruguay is perhaps the most extreme case having incorporated rural and domestic-service workers, as has also happened in Argentina, Brazil and Chile), illness and accident insurance, entitlements to subsidies, leave periods and dismissal rights. Also important are changes in the protection of workers of both sexes in relation to pregnancy and childbirth leave (Chile and Uruguay have recently reformed their respective systems to expand the coverage, duration and quality of provisions for women and men).

In general there is a pending agenda centred on protection from emerging risks, such as those stemming from catastrophic diseases, economic crises or natural disasters. These events naturally have clear potential for destabilizing welfare and undermining the rights of families and their members. Further research is needed on these aspects and their variants in individual countries, to be able to implement stable response policies from the social protection domain.

### **C. From programmes to policies, from emergency to entitlements**

Lastly, there is another shift that is making social protection more robust: from specific programmes based on emergency situations with non-genuine financing, to stable policies based on entitlements with genuine financing. This entails changes in budgetary appropriations, the establishment of general rather than circumstantial criteria, and the defining of target populations as rights holders.

Examples of this shift from hand-out and programme, to entitlements and policy include: the transition from the National Social Emergency Response Plan (PANES) in Uruguay to a new regulation of Family Allowances; the use citizen's income as the underlying criterion for the monetary transfer system in Brazil, along with the constitutional definition of rights and guaranteed budgetary appropriation of the rural pension, social assistance and *Bolsa Família*; the AUGE health programme and the Basic Solidarity Pension in Chile; the Universal Pension in the Federal District of Mexico, and Human Development Grant in Ecuador.

These changes are accompanied, albeit in varying ways, by legally defined mechanisms for indexing provisions, to prevent the benefits from being used as adjustment variables in difficult fiscal situations. Nonetheless, weaknesses persist in many of these innovations, in terms of legalities and guarantees. This can be clearly seen in the case of the AUH in Argentina, which, despite its ambitious coverage and adequate benefit level, lacks budgetary guarantees and legally pre-determined indexation criteria.

### **D. Inter-sectoral synergies and coordinations promoted from the new social protection designs**

The other source of major innovations in social protection stems from the search for articulations and synergies between the various traditional social protection mechanisms and new ones in the region. Many of the new policies on non-contributory transfers to families with children, and to older adults, include the explicit aim of connecting their beneficiaries to other areas of social protection and promotion. Conditional cash transfer programmes are the clearest example of such strategies, by explicitly making the transfer entitlement dependent on the beneficiaries' effective use of education and health systems.

Another interesting way to strengthen synergies and make social protection more integrated stems from adding income incentives to contributory systems, by expanding allowances or coverages to persons who effectively contribute to the traditional systems. Thus, the expansion of health coverage to the entire family with a single contributor (Uruguay), or access to accident and sickness insurance to insurance classes that previously lacked them (Argentina, Chile, Colombia), are examples of efforts being made to make insuree status more attractive through immediate and undeferred benefits (pensions). In practice, the synergies and coordinations are often achieved by greater decoupling of the contribution from the quality and scope of the provisions. The idea in such cases is to achieve formality at low cost to the individual, through subsidies financed out of general revenues which expand the family universe covered or the benefits. Costa Rica possibly provides the clearest example of this, but there are also various single-tax or lower taxation modalities, all, or nearly all of which, maintain the rights of traditional taxpayers in the case of Argentina, Ecuador and Uruguay.

### **E. The trends in context: gaps, types and limitations**

As emerges from the foregoing descriptions, the region's countries have clearly embraced these general trends in a variety of ways, with different degrees of progress and consistency, and with different preferences for specific instruments. The entire region shows progress, but this needs to be discriminated in detail. The greatest progress in these trends has occurred in countries whose welfare gaps are the smallest (Argentina, Brazil, Chile, Uruguay and, to a lesser extent, Panama). Four cases do not fit this generalization, however, for positive reasons: Ecuador, the Plurinational State of Bolivia, El Salvador and, to a lesser extent, Mexico;

while Paraguay reports interesting initiatives but very little fiscal commitment thus far. Guatemala, Honduras and Nicaragua have made less progress. Colombia and Peru display initiatives as revealed in the case studies, which also involve progress, although the initiatives are not robust.

Apart from any debate on the merits of each country, the region is clearly in a stage of progressive construction of social citizenship, both in terms of protection and in the promotion of human development and social investment. This is shown by the transforming drive on coverage, provisions, fiscal effort, integrating innovations and synergy, and the rhetoric that sustains it. Although these efforts have also made clear progress, they have not fully resolved the four historical deficits of social protection systems: absence of guaranteed universal basic floors, fragmented efforts, lack of full progressiveness (or the prevention of regressiveness in social taxation) and weak positive articulation between social protection and investment.

The case studies reveal the enormous diversity with which the countries have addressed a triple challenge: coverage, quality and the variety of persons and risks covered; but they also show that this creativity stems partly from inertias and blockages in respect of the more radical changes needed in the social protection matrix. In many cases, policies represent patches in a time of abundance, rather than strategic reforms reflecting fiscal constraints and equity maximization.

To be clear, progress has been made in the four dimensions, but it has been achieved in an exceptional economic and fiscal context, which may not persist into the future.

## **V. In conclusion: the case studies as an innovative contribution to research, action and institution building**

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The case studies on social protection systems in Latin America and the Caribbean, introduced here, constitute a further element of ECLAC's work on social protection. Their immediate goal is to analyse the realities and current dilemmas of countries in terms of social protection. By providing an integrated country-by-country approach, the case studies aim to contribute to the specific social reform agendas in the region. Strictly speaking, however, this long-term undertaking pursues three differentiated objectives.

Firstly, the contributions that inform these studies are products and inputs for generating and supporting comparative research agendas. The apparent renunciation of the immediate comparability of the case studies should not deceive the reader. Their contribution to comparative research stems precisely from their apparent idiosyncratic detail. It forces researchers to reconsider analytical categories that were taken for granted, descriptions considered the same, and standardized indicators which in each standardization operation lose key details. But the function of the case studies is not merely to destroy previous certainties and comparative data. Their mission is to cause the researcher to rethink these categories, these ways of measuring and forms of taxonomy, forcing them to raise their level of abstraction and fine-tune the detail, and thereby achieve better and more relevant categories and comparative indicators.

Secondly, the case studies aim to provide countries with a starting point, a common diagnostic, to enable stakeholders to agree, if not on the alternatives, then at least on the present realities and current problems of their social protection systems. Each country's social protection matrix is unique by definition: unique because the context in which it unfolds pertains to that country alone; unique because the policy mix is unreplicable; unique also because the political economy that governs its possibilities and limits has no twins. To repeat, this does not detract from the merit of comparative studies, typologies, or variable-oriented quantitative studies.

Thirdly, for ECLAC and other agencies of the United Nations system, the case studies are a key element in constructing a relation with governments in the region. The central idea is to forge a link with national authorities that will enable it to use this study series as a genuine monitor of national social

protection. The next step, therefore, will be the preparation of a second round of national reports, which will involve collaboration between the authors, ECLAC and the national authorities to validate them as official inputs for the reform of social protection systems and the State's social action. Planning the welfare state means planning the country's human development project. There is nothing more important for ECLAC than participating in this challenge.

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## **Annex**

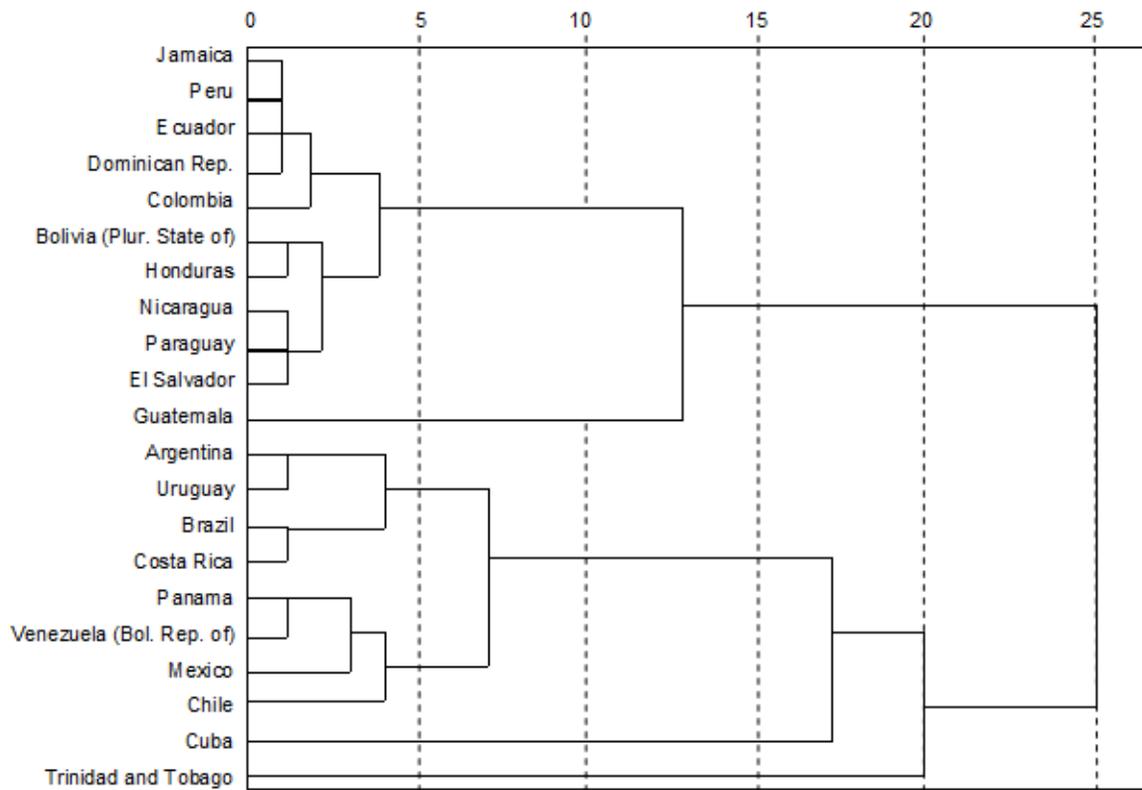
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**TABLE A.1**  
**LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): INDICATORS USED**  
**IN THE CONGLOMERATE ANALYSIS, AROUND 2012**

Country	Indicators						
	GDP per capita (dollars at 2005 prices)	Demographic dependency rate (per 100 persons of working age)	Social public expenditure per capita (dollars at 2005 prices)	Social public expenditure on social security and assistance (percentage of GDP)	Wage-earners who contribute to the health system (percentages)	Wage-earners that contribute to the pension system (percentages)	Employed population aged 15 years and older with income below the poverty line (percentages)
Argentina	6 854	55.0	1 893	12.9	77.7	68.7	2
Bolivia (Plurinational State of)	1 284	68.8	143	4.4	44.4	32.4	30
Brazil	5 639	47.8	1 512	13.8	...	75.9	11
Chile	9 453	45.6	1 340	6.2	96.7	81.7	5
Colombia	4 251	52.4	532	7.1	91.9	57.2	23
Costa Rica	5 725	45.8	1 293	6.6	86.9	74.6	10
Cuba	5 198	42.5	1 904	7.9	...	...	...
Ecuador	3 541	58.7	286	1.5	66.2	64.7	23
El Salvador	3 023	63.7	394	4.3	48.9	46.6	36
Guatemala	2 322	84.7	214	1.6	44.5	38.5	44
Haiti	462	68.2	...	...	...	...	...
Honduras	1 575	69.8	186	0.7	37.2	38.8	60
Jamaica	4 042	58.4	386	0.4	...	...	...
Mexico	8 427	56.9	924	3.3	71.8	41.3	30
Nicaragua	1 353	63.9	181	...	36.3	34.0	49
Panama	7 462	56.4	1 246	4.2	80.1	49.0	15
Paraguay	1 722	63.1	192	3.9	40.1	35.1	40
Peru	4 259	56.2	419	3.0	65.0	50.4	19
Dominican Republic	5 046	59.1	396	2.0	75.4	63.3	26
Trinidad and Tobago	13 815	40.9	1 692	...	...	...	...
Uruguay	7 498	57.4	1 846	11.1	98.6	84.7	3
Venezuela (Bolivarian Republic of)	6 410	54.1	1 317	6.8	...	72.8	13

Source: Prepared by the authors on the basis of data from the Economic Commission for Latin America and the Caribbean (ECLAC).

**DIAGRAM A.1  
CONGLOMERATE ANALYSIS WITH FEWER VARIABLES<sup>a</sup>**



Source: Prepared by the authors.



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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.



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