

I

Including Outsiders in Latin America

1.1 INTRODUCTION

Throughout the twentieth century, much of the population of Latin America lacked access to health care services, stable income, and pensions. Although states introduced social protections for workers in the formal sector (those with labor contracts), workers outside the formal labor market and their dependents, whom I call “outsiders,” remained unprotected or underserved by social policy. Outsiders include the urban informal sector – the self-employed, street vendors, and employees hired off the books – as well as rural workers and the unemployed. In the last decade of the twentieth century, outsiders represented between 40 percent and 80 percent of the population in the middle-income countries of the region, and a large share of them lived in poverty.¹

Two macro-level transformations that occurred in the last decades of the twentieth century – the adoption of democratic regimes and economic liberalization – raised contradictory expectations about the likelihood that Latin American states would extend social protections to outsiders. Democracies institutionalized electoral participation and opened channels for the expression of interests and demands, which seemed to augur well for initiatives to reduce the welfare gap. Yet the debt crisis of the early 1980s and the implementation of market-oriented reforms gave rise to a period of state retrenchment marked by the remarkable spread of pension privatization in the 1990s and the extension of small-scale, targeted, and often clientelistic benefits to the very poor. In light of these

¹ Estimates with government data (see Appendix 1). See also Portes and Hoffman (2003: 49, 53).

changes, a broad academic consensus maintained that despite the widespread adoption of democracy, Latin America had entered a new era of market expansion and limited state involvement in social protection.²

Contrary to this picture of state retreat, a dramatic expansion of social policy for outsiders took shape in several middle-income countries of Latin America during the 1990s and 2000s, when governments began to extend pensions, cash transfers, and health care services to millions of previously unprotected outsiders. Consider these examples. Following a constitutional reform in the late 1980s, Brazil adopted a universal health care system as well as broad-reaching pension programs for outsiders, both of which began implementation in the early 1990s. Cash transfers initiated in 2001 reached 11 million low-income households by 2006. In the 2000s, Mexico, which had been historically characterized by modest social expenditures, launched a health insurance system for outsiders, cash transfers for 5 million children, and pensions for outsiders that by 2010 reached a similar share of people 65 and older than the preexisting program for formal workers.³ With some exceptions, by 2010, several middle-income countries in the region had expanded cash transfers, pensions, and health care services for at least 35 percent of the outsider population.⁴

As demonstrated in Figure 1.1, the magnitude of social policy change is striking. By 2010 pensions in select countries reached between 48 percent and 100 percent of outsiders aged sixty-five and older, and transfers were provided to school-age children on a massive scale.⁵ At the same time, these benefits are costly. Although cash transfers are able to reach many individuals with relatively smaller investments, representing between 0.2 percent and about 1 percent of the GDP – comparable to family allowances for formal-sector workers – health care services and some pension programs demand more significant investments.

² See, for example, Haggard and Kaufman (2008); Kaufman and Segura-Ubiergo (2001); Rudra (2002); on pension reform, see Brooks (2001; 2009); Huber and Stephens (2000); Kay (1998); Madrid (2002; 2003); Mesa-Lago (1994); on clientelism, see Cornelius et al. (1994); Dresser (1994); Kurtz (2004a); Magaloni (2006); Roberts (1995); Weyland (1996a).

³ Calculated with data on formal-sector pension coverage for people 65 and older in 2011 and benefits for outsiders in 2010 from SEDESOL.

⁴ In South America, exceptions include Paraguay, Peru, and Venezuela. The latter two cases are discussed in Chapter 8. As discussed in Chapter 2, I use the threshold of 35 percent to operationalize expansion.

⁵ Author's estimate with government data of pensions, cash transfers and population. For more information and sources, see Appendix 1.

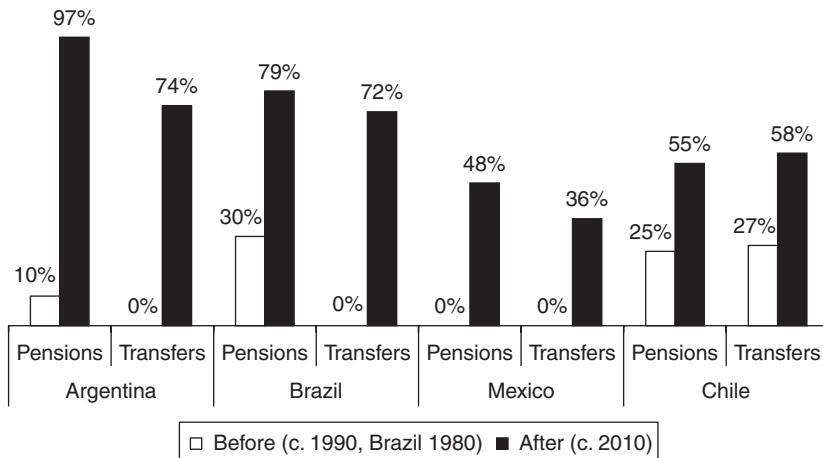


FIGURE 1.1 Share of outsider seniors and children with benefits before and after expansion, selected countries.

Note: Outsider seniors 65+ (60+ Brazil, 1980).

Source: Author's calculations with government sources (see Appendix 1).

These social policy innovations for outsiders are puzzling for a number of reasons. First, not only did social policy expansion take place at a time of state retreat, but these benefits also reached the most vulnerable and disempowered sectors of the population. This outcome runs counter to the widely held assumption that outsiders lack the capacity to exert political influence and attain meaningful policy responses in Latin America's nascent democracies. According to the literature, outsiders face formidable obstacles to collective action because they have heterogeneous interests stemming from their diverse and often individualistic economic activities (e.g., working as street vendors), which limit their ability to coordinate around common goals and demands and develop organizations to represent their interests (see Cross 1998; Kurtz 2004a). At the same time, if organizations form among outsiders, these are seen as having scarce resources. This prevents these organizations from having a meaningful influence on state policy and often leads them to succumb to co-optation and clientelism.⁶ Furthermore, scholars argue that in the context of scarcity produced by the debt crisis and market reforms, powerful insiders prioritized the protection of their own benefits over

⁶ See particularly Kurtz (2004a). For a critique and discussion of this literature, see Arce and Bellinger (2007); essays in Collier and Handlin (2009); Garay (2007); Holland and Palmer-Rubin (2015).

the establishment of insider–outsider coalitions that could have improved outsiders’ political organization (see Etchemendy 2011; Oxhorn 1998; Weyland 1996a).

Social policy expansion is also intriguing because it involves nondiscretionary benefits. Existing research often characterizes most middle-income countries of Latin America as having patronage-based bureaucracies and clientelistic parties,⁷ both of which hinder the creation of nondiscretionary policies for the most vulnerable sectors of the population (Kitschelt and Wilkinson 2007; Rothstein 2011), as such benefits are expected to loosen voters from clientelistic arrangements, and thus undermine the power of clientelist machines. Yet, as we see in the following chapters, political parties considered exemplars of clientelism, such as the Peronist or Justicialista Party (PJ) in Argentina, sponsored nondiscretionary social policy innovations for millions of low-income outsiders, revealing more complex relationships between political parties and poor voters.⁸

Finally, new social policies for outsiders display remarkable cross-national variation. Two distinct models of social policy, which I call *inclusive* and *restrictive*, can be identified. Inclusive policies provide relatively generous benefits to all or a large pool of outsiders and tend to involve some level of social participation in policy implementation. Restrictive policies, by contrast, provide smaller benefits to a more limited pool of outsiders and are implemented in a nonparticipatory way. Although there is variation within each of these broad categories, sharp contrasts distinguish the two models.

This book seeks to explain the circumstances under which incumbents in Latin America extended large-scale, nondiscretionary social policies to outsiders, the most vulnerable and disempowered sector of the population, and why we observe remarkable differences in the policy models that have taken shape. More specifically, why have some incumbents embarked on the expansion of nondiscretionary social policies for outsiders while others have not? Why have some governments created more generous, broad-reaching policies than others? Why do some allow social organizations and movements to participate in policy implementation while others reach out to beneficiaries in a top-down manner?

To address these questions, this study draws on a comparative historical analysis of social policy development in three areas that have

⁷ On bureaucracies, see Calvo and Murillo (2004) and Luna and Mardones (2014). On party systems, see Hagopian (2014); Kitschelt et al. (2010); Mainwaring (1999); Roberts (2014). On clientelistic linkages, see Luna (2014).

⁸ Levitsky (2003); for the recent period, see Etchemendy and Garay (2011).

exhibited a marked social policy divide separating insiders from outsiders – pensions, income support, and health care – in four of the most industrialized countries of Latin America – Argentina, Brazil, Mexico, and Chile – since democratization in the 1980s and 1990s. In an effort to better understand the circumstances under which expansion occurred, this study examines all democratic administrations in these countries within this period, some of which did embark on expanding social policy while others did not. Furthermore, it assesses the leverage of the analytical argument through a longitudinal analysis of these same cases since the establishment of benefits for insiders in the first half of the twentieth century, and conducts a broader comparison with four middle-income countries in Latin America and beyond, discussing the applicability of the argument to Peru, Venezuela, Uruguay, and South Africa.

As presented later in this chapter and laid out in Chapter 2, this study finds that expansion occurred in democratic regimes with (a) high electoral competition for outsiders and/or (b) large-scale social mobilization from below. Each of these two dynamics compelled incumbents to expand nondiscretionary social policy and temper the existing divide separating insiders and outsiders. At the same time, contrasting models of social protection resulted from the negotiations involved in policy design, the preferences of those engaged in the design process, and their institutional power. Restrictive models were built when conservatives had strong institutional power and social movements were not involved in policy design; inclusive models were adopted when social movements demanding policy change participated in negotiations around expansion, either because they had propelled that process in the first place, or because they could influence policy design through an allied party in government. To preview the outcomes documented and analyzed in this book, social policy expansion in Argentina and Brazil produced inclusive social policy, while in Chile and Mexico, a restrictive model took shape.

1.2 WHY STUDY SOCIAL POLICY EXPANSION AND POLICY MODELS?

Mapping and understanding these social policy innovations is critical for comparativists interested in the sources of welfare development and variation in social policy models in developing countries, and in their political and welfare effects. The cases discussed in this book illuminate the challenges of extending benefits in societies with deep insider-outsider divides, where some sectors are protected and others are not.

The adoption of broad-reaching benefits for outsiders has been largely unanticipated and initially overlooked by scholars of social policy in the region. In fact the comparative literature has emphasized obstacles towards expansion, stressing in particular financial impediments to social policy adoption.⁹ Yet, as analyzed in this book, financial considerations are not the critical factor determining adoption of social policy innovations in middle-income countries. Governments have embarked on expansion under particular circumstances, and then employed different strategies to raise the necessary resources for implementation. At the same time, even if some programs may seem relatively inexpensive, expansion has often taken place across different policy areas requiring substantial investments.

Understanding these expansions is important because they target outsider populations who have received much less attention within the social policy – and political science – literature despite their numerical relevance in a region characterized by massive labor informality, segmented labor markets, and unemployment. Most of the comparative social policy literature has instead focused on the well-protected labor force and on social programs for insiders. Even the health care initiatives that reached outsiders and were created before the third wave of democracy have remained largely unaddressed by comparativists, with the exception of James McGuire's seminal work on the evolution of infant mortality rates (2010). The focus on formal-sector programs has overshadowed important aspects of the historical evolution of social policy in the region within the comparative literature. Understanding the conditions of social policy expansion for outsiders may shed new light on broader political dynamics that require deeper exploration. This book seeks to contribute to this pursuit.

A focus on the features of the new social programs also helps advance our understanding of social policy dynamics. Unlike the literature on the welfare state in industrial democracies, which has paid significant attention to the characteristics of social programs and explored the political underpinnings of variation in social policy models, research on programs for low-income populations in Latin America (e.g., conditional cash transfers) has tended to treat these programs as a homogenous group, thereby hiding significant variation that remains unexplained. This is particularly the case also in studies of clientelism that have focused primarily

⁹ Haggard and Kaufaman's book on Latin America, East Asia, and Eastern Europe reaches this conclusion (2008).

on the method of distribution of social programs, rather than also examining the different types of benefits that have been extended, and in studies of social expenditure, which do not separate investments across policy areas with precision, identify what kinds of programs are funded, and indicate whether beneficiaries are insiders, outsiders, or both.¹⁰ Knowing the features of different policies, how consistent they are across policy areas, and how they interact with benefits for insiders is fundamental for informing policy making and advancing our understanding of the politics of social policy. More generally, learning more about these benefits for outsiders will allow us to better understand the shape of welfare systems in the region, which include programs for insiders and outsiders, and to comprehend the ways in which these benefits interact. These are fundamental concerns for those seeking to improve welfare and labor markets in developing countries, and they are critical aspects of social policy dynamics that connect with themes of inequality, redistribution, and government responsiveness.

More broadly, the expansion of social programs for outsiders has important political and normative implications. First, these benefits have created new and stronger connections between the state and citizens who previously lacked access to many programs. At least in the language in which social programs are framed, these benefits are presented as linking the fate and prosperity of the larger political community to individual improvement, access to services, and transfers for the most vulnerable – and often marginal – populations. At the same time, some of these initiatives – as discussed in this book – have included participatory arrangements for implementation, which have opened up spaces of interaction between beneficiaries and the state, providing new opportunities for citizens to have a “voice” and participate in policy making. Secondly, the adoption of some of these programs has contributed to reducing inequality, improving infant mortality rates, and increasing school enrollment and completion.¹¹ These are all historically difficult accomplishments for developing countries. At the same time, these expansions have mainly benefited women, who have been generally less able to access social security protections in the formal labor market, and who now constitute the main beneficiaries of pensions for outsiders and transfers for low-income households in several countries. How this

¹⁰ Haggard and Kaufman (2008); Huber, Mustillo, and Stephens (2008); Rudra (2002); Rudra and Haggard (2005); Segura-Ubiergo (2007).

¹¹ See Appendix 1 for further reference.

connection between welfare and women unfolds and what its ramifications are across different models of social policy for outsiders constitutes a fundamental topic of research, as gender inequality has been associated with many pernicious social dynamics worldwide.

A key political question, then, is why outsiders matter in some countries, to the point of becoming the target of large-scale policy innovations. The next section discusses alternative explanations for social policy expansion, and the following sections present the argument advanced in this book.

1.3 ALTERNATIVE EXPLANATIONS

Three different arguments have emerged within popular discourse and in academic debates as potential explanations to account for incumbents' decisions to launch social policies for outsiders and for variation in the resulting policies. The first account focuses on economic change and emphasizes the abundance of agricultural and mineral revenues in the 2000s to explain social policy innovations and the amount of benefits distributed. The second highlights the arrival of left-wing coalitions to power, while the final argument references the diffusion of policy models to explain the increased popularity of social programs for outsiders and the models adopted.

Economic Abundance and the Commodity Boom

At first glance, the timing of recent social policy innovations suggests that increased state revenue from the agricultural and mineral commodity boom of the early twenty-first century has provided incumbents with the resources needed for social policy expansion, fueling or making possible the adoption of large-scale social programs across the region.¹² According to this view, fiscal constraints in the 1980s and 1990s precluded politicians from expanding, but in the 2000s the rise in commodity prices and the GDP growth it propelled allowed commodity exporters to extend social policy to the excluded. Expanding the logic of this argument, one should then expect the amount of revenue from the boom or the share of resources controlled by the state to be related to the social

¹² Contrasts in average regional rates of economic growth are not particularly marked between the 1990s, when Latin America grew on average 2.6 percent, and the 2000s, when the region's average growth rate was 3.2 percent (GDP rates of growth from ECLAC; CEPALSTAT).

policy model adopted – restrictive or inclusive – with more generous and broad-reaching benefits made possible by higher export-led growth.

Several studies have argued that export-led growth has allowed left-wing governments in the region to implement their redistributive agendas (see Campello 2015; Levisky and Roberts 2011; Weyland 2011). Without denying the importance of the commodity boom and the broader economic context in which it unfolded, proving its centrality to social policy expansion and the resulting models of social policy adopted faces major empirical and theoretical challenges.

Empirically, a close examination reveals that the occurrence and the timing of expansion – understood as the creation of broad-reaching nondiscretionary programs in selected policy areas – do not coincide neatly with the timing of the boom, as governments adopted new benefits both before and during the boom or did not expand nondiscretionary benefits across selected social policy areas despite growing export-led revenue. At the same time, countries that are not primarily commodity exporters did embark on expansion, as illustrated by Mexico.¹³ Second, GDP growth does not explain cross-national variation in the magnitude of new benefits. In other words, incumbents with larger commodity earnings are not necessarily more enthusiastic providers of benefits for outsiders.

With respect to the timing and occurrence of expansion, incumbents adopted new social policies for outsiders at times of both economic strain and abundance since the late 1980s (see Figure 1.2). For example, facing a severe economic crisis in 1998, Ecuadorian president Jamil Mahuad (1998–2000) established a massive transfer program reaching 1 million outsiders to contain the political and social ramifications of his fiscal adjustment program (personal communication, Mahuad; Banco Central de Ecuador 2010). By the time Ecuador achieved economic growth – fueled in part by rising oil prices – after a dramatic drop in GDP in 1999, 40 percent of the country's households were already receiving income transfers on a regular basis. In Brazil, social policy expansion began in the late 1980s, propelled by coalitions of social movements and labor unions that actively mobilized during the democratic transition. Implementation

¹³ Data from Cepalstat (www.cepal.org, accessed March, 2015), shows that in 2010, Mexico's primary exports represented 2.4 percent of total exports while in the middle-income economies of South America, primary exports represented between 62.9 percent and 95.7 percent of total exports. Between 2002 and 2013, the average share of primary exports was 23.4 percent in Mexico and it ranged from 55.3 to 92.5 percent in the countries of South America.

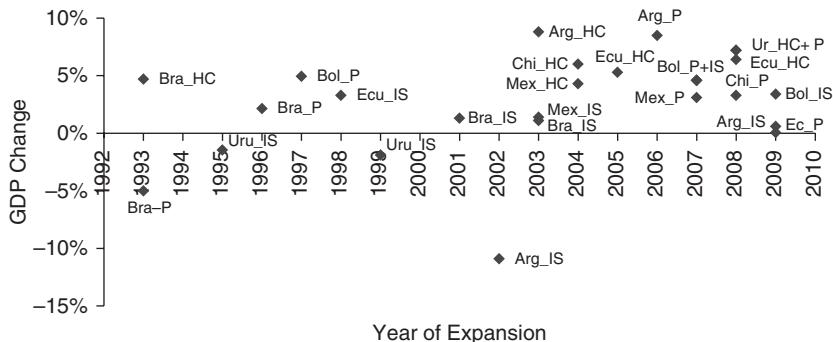


FIGURE 1.2 Timing of expansion and GDP change, selected countries, 1992–2010.
Note: IS: Income Support (cash transfer programs); P: Pensions; HC (health care).
Sources: Author's estimates of timing of expansion, GDP from World Bank Development Indicators and ECLAC.

started at a time of economic hardship and inflation in the early 1990s, which anteceded the successful stabilization accomplished by Itamar Franco's finance minister, Fernando Henrique Cardoso, in 1994, well before the commodities boom.

Other episodes of expansion coincide with buoyant international markets and favorable macroeconomic conditions, such as the extension of pension benefits in Argentina beginning in 2006. Still other policy innovations, such as Mexico's policy expansion between 2001 and 2007, took shape at a time of modest growth and in the absence of windfalls from agricultural, oil, or mineral exports.

Finally, the expansion of nondiscretionary, large-scale benefits did not take shape consistently across selected policy areas in Peru, Paraguay, or Venezuela, three countries that benefited from the commodity boom (see Figure 1.3). Even though Peru experienced a massive increase in GDP driven by mineral exports, it only expanded health services gradually, achieving some meaningful coverage by 2010 (see Cameron 2011). In Venezuela under Hugo Chávez (1998–2012), an undeniable case of export boom and state control of oil revenues and social policy innovations did not include broad-reaching, nondiscretionary transfers for children or seniors.¹⁴

The level of GDP growth is not a good predictor of the model adopted. Focusing on the four countries under examination, we see that Brazil adopted and implemented inclusive health care and pension benefits at

¹⁴ I discuss the cases of Peru and Venezuela in Chapter 8.

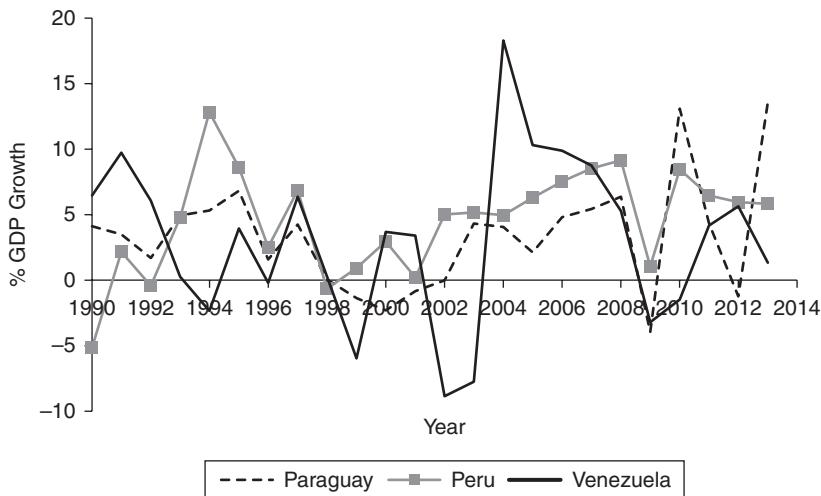


FIGURE 1.3 Economic growth, Paraguay, Peru, and Venezuela, 1990–2014.
Sources: GDP from World Bank Development Indicators.

times of low GDP growth (late 1980s–90s), while *Bolsa Família*, a famous cash transfer that was not costlier than prior innovations, was adopted in 2003 before the commodity boom that benefited Brazil beginning in 2004. Argentina also adopted the inclusive model with expansions occurring at times of both severe economic decline (2002) and growth (2005–7). On the other hand, in Chile, during times of economic growth bolstered by growing copper exports, incumbents did not adopt an inclusive model but rather a restrictive one (2003–4, 2008), as they did in Mexico, where incumbents faced overall modest growth (2001–3, 2006).

At a theoretical level, a critical weakness of an explanation of expansion based on the commodity boom is that new economic resources in and of themselves do not provide a straightforward explanation for why incumbents would want to devote part of those resources for social programs for outsiders. Undoubtedly states that benefited from the commodity boom had more room to maneuver financially (see Campello 2015). Yet governments faced competing demands for funding from various economic and social actors. In the context of economic growth, powerful businesses and producers often demanded funding for infrastructure, transportation, energy projects or subsidies while labor unions expected better salaries and pension benefits for insiders, which had deteriorated in several countries in the 1980s and 1990s (see Etchemendy and Collier

2007). In cases in which the state did not control revenues from commodities directly but captured them via export taxes or royalties, businesses and producers also pressured to avoid taxation (see Fairfield 2015).

Understanding why governments paid so much attention to outsiders beginning in the 1990s, in the context of state retreat, economic crisis, or high levels of growth, requires an explanation that goes beyond the availability of increased resources. Resources in and of themselves do not tell us why governments were willing to reach out to outsiders, historically the poorest and most politically vulnerable sectors of the population, and why they chose to allocate resources through social policy transfers and services instead of prioritizing other initiatives such as food subsidies or employment-creation programs. This book argues that specific political factors are fundamental to understanding governments' social policy decisions and the incentives that led incumbents – regardless of having windfall revenue or not – to embark on expansion.

Partisan Politics: The Left Turn

Another potential explanation for social policy adoption emphasizes the rise of left-wing governments in Latin America since the early 2000s. This “left turn” by which “nearly two-thirds of Latin Americans lived under some form of left-leaning national government” (Levitsky and Roberts 2011: 1), seems to lend credence to a theory of expansion based on left-party power.¹⁵

In their most recent book, Huber and Stephens argue that in twenty-first-century Latin America, “the longevity of democracy and the strength of parties to the left of center” have produced a departure from the historic trend of poverty and inequality and help explain differences in redistributive outcomes across countries (2012: 240). Although this book shares the view that partisanship matters for the social policy model adopted, it challenges the centrality of left-party strength in the executive branch or in congress in accounting for *why* large-scale social policies for outsiders were adopted in the first place. First, political parties in Latin America face a highly divided social structure and left and left-populist parties have generally prioritized the interests of labor union allies over those of outsiders (see, for example, Collier and Collier 1991; Levitsky 2003). The preference of left parties toward labor unions and insiders is also found in Western Europe (see Rueda 2005, 2007; Lindavall and Rueda

¹⁵ See Levitsky and Roberts (2011); Weyland, Madrid, and Hunter (2010).

2013), where unionized workers are more numerous. In Latin America, left and left-populist governments only launched policies for outsiders under specific circumstances. The goal of this book is to identify these circumstances and explain when and why left parties embarked on large-scale expansion.

Second, the episodes of expansion analyzed herein demonstrate that incumbents on both the left and the right of the political spectrum launched significant policy innovations for outsiders. A focus on the left as the driver of social policy change leaves unanswered the question of why right-wing incumbents pursued expansion as well. For example, the creation of massive income transfers and health insurance occurred under the right-leaning presidency of Vicente Fox (2000–6) of Mexico's National Action Party (PAN), at a time when the left held only a small share of seats in Congress. Likewise, some episodes of policy adoption in Brazil took place under the administrations of José Sarney (1985–90) and Itamar Franco (1992–5), neither of whom belonged to a popular-based party or faced more than a minor left-wing party presence in the Constituent Assembly and in Congress, the bodies that effectively passed some of these innovations into law.

As shown in subsequent chapters, partisanship does help account for different preferences regarding policy design that may affect policy outcomes, as left or center-left politicians typically favor broader benefits, and center-right or conservative parties prefer more modest ones (see also Huber and Stephens 2012; Pribble 2013). However, left party strength, understood as the arrival of left-wing candidates to office or the growth of the share of left-party seats in Congress, does not in and of itself explain the adoption of broad-reaching social programs for outsiders in the cases under investigation.

Diffusion of Policy Models

A final potential explanation for the expansion of social policy and the models adopted is based on the diffusion of policy models. The scholarly literature on market reforms does emphasize diffusion as an important factor contributing to the adoption of social policy change, particularly privatization, in Latin America's nascent democracies. As discussed by Weyland (2006; 2004), theories of diffusion contend that policy change results from the spread of policy *principles* (such as universality) or policy *models* (such as social security) in temporal waves across geographically proximate countries (see Weyland 2006: 19–21). Despite background

differences, policy blueprints disseminated across borders influence governments into adopting similar policies, producing policy convergence. Models typically spread through two mechanisms: (a) a strong international actor that pressures or provides strong incentives for governments to adopt a particular policy blueprint; or (b) policy makers' decisions to emulate policy models they find prestigious, appropriate, or legitimate to solve a specific problem.¹⁶

As subsequent chapters show in greater detail, diffusion provides an inadequate account for social policy expansion in the cases under investigation, for three main reasons: (a) the lack of evidence that the mechanisms of diffusion – imposition or incentives granted by a powerful actor, and emulation – play significant roles in policy adoption, (b) the absence of policy convergence across countries, and relatedly, (c) the challenge posed to the diffusion argument by cases of non-adoption despite expansion in other cases.

Powerful international actors with the capacity to pressure or provide strong incentives for countries to adopt new policy models or principles did not play key roles in expansion. The World Bank (and associated agencies) was a key player in pension privatization and social development debates in the region (Brooks 2009, 2001; Madrid 2003; Weyland 2004, 2006), yet the process tracing for this project showed that multilateral agencies have not been relevant actors behind recent expansions in Argentina, Brazil, Chile and Mexico. Acknowledging that countries such as Brazil and Mexico, rather than international agencies, were the first movers in the design of conditional cash transfers for outsiders, an interviewed World Bank official suggested that the agency “has trailed behind governments in the region.”¹⁷

Concerning emulation, scholars have often suggested that diffusion is facilitated by the existence of a coherent, simple model (see Weyland 2004, 2006). In the 1990s, there was no consistent single model of health care services (Kaufman and Nelson 2004; Weyland 2006: 7), pensions, or even cash transfers for outsiders that multilateral institutions promoted or sought to impose on developing countries. At the same time, early initiatives such as Brazil's social assistance pensions or the universal health system (SUS) were not a source of inspiration for policy makers in the other countries under investigation. Proponents of social programs generally paid attention to benefits for insiders within their own countries

¹⁶ On these mechanisms, see the classic literature on diffusion: Hecko (1974); Meyer and Rowan (1977).

¹⁷ Author's interview, World Bank office, Buenos Aires.

only, or to multiple initiatives rather than to a particular model of social policy for outsiders.

Regarding the policy outcome, this study found no evidence of convergence around a common model of expansion. There is remarkable variation in the scope of coverage, benefit levels, and the form of implementation of social programs across cases. Funding mechanisms also diverge sharply across countries, with some programs being tax-financed and others funded by cross-subsidies from social security benefits. New income support programs, which have become highly visible interventions cross-nationally, are a good example; they generally employ similar tools in the form of cash transfers. Yet these cash transfer programs also vary significantly across critical features of social policy that are relevant to this study. Some transfers are conditional on school attendance while others are not; some are temporary while others are permanent; and, as detailed in subsequent chapters, these programs vary in scope, benefit level, and funding mechanism.¹⁸ Aside from the specific tool used, these programmatic features are important definitional elements of social policy models, and they imply different welfare and political effects. The absence of convergence in these key policy features undermines the explanatory power of a theory based on diffusion.

Finally, theories of diffusion have a hard time explaining instances of non-adoption. Why did Venezuela not adopt broad-reaching transfers despite political rhetoric favoring the poor and despite available economic resources to launch large-scale policies? Given that technocrats constitute important “carriers” of best practices and models lauded by epistemic (knowledge-based) communities and are critical sources of expertise and advice for governments and parties (Murillo 2009: 35–6; Weyland 2006: 46–7),¹⁹ why did Peru not launch large-scale social policy expansion in the twenty-first century despite high levels of economic growth and the power of technocrats within the national government (Dargent 2011)?

With respect to policy principles, it is difficult to attribute expansionary decisions to the spread of a particular principle such as universality or fairness. In the cases analyzed in this book, debates and consensus about fairness, universality, and the need to provide social policy benefits to the excluded existed among policy experts and some policy makers

¹⁸ On variation in income transfers, see Garay (2016).

¹⁹ On the classic literature on diffusion and emulation, see Hecllo (1974); Meyer and Rowan (1977); on sociological institutionalism, see Thelen (1999). For diffusion in Latin America, see Collier and Messick (1975).

long before the expansion of social policies occurred, without resulting in policy adoption.²⁰

More generally, ideas do matter for policy making. Several studies have addressed the way in which ideas favoring innovation influence the policy process (Hall 1992, 1997; Weir 1992). Empirical cases in this book demonstrate that program features are informed by ideas advocated by social movements or technocrats and experts linked to political parties. In some cases, these ideas are influenced by existing policy arrangements for insiders, which inspire the demands of social movements who often press for benefits similar to those received by these sectors. Ideas may also be imported through technical assistance, technocrats' training, or emulation. However, though these factors are important for informing the availability and technical soundness of specific initiatives, they have not been sufficient on their own to drive policy makers to embark on costly policy innovations or determine why broader or leaner benefits, or participatory rather than direct state implementation, were adopted.

1.4 OUTSIDERS: POLITICAL RELEVANCE AND SOCIAL POLICY NEGLECT

The comparative political economy literature on Western Europe defines outsiders as workers who – unlike insiders – lack secure employment (Esping-Andersen 1999; Rueda 2007: 20). In Latin America, throughout most of the twentieth century, outsiders not only lacked secure, formal employment, but they and their dependents were also excluded from social security protections (e.g., health insurance and pensions) that were historically and systematically extended in the region to formal workers only.²¹ Outsiders represent a large share of the workforce in Latin America, including urban informal workers (e.g., street vendors or the self-employed), employees hired off the books, rural workers, and the unemployed.

The size and composition of the outsider population has evolved since the first half of the twentieth century, when labor and social legislation was first established. As Chapter 3 shows, several categories of workers were formalized between the 1920s and 1940s with the creation of labor regulations and social security (or social insurance) systems funded mainly with payroll contributions by employers and employees. If we measure outsiders as the share of the total population that is not affiliated

²⁰ See Chapter 3 for further reference.

²¹ See Chapter 3 for full discussion.

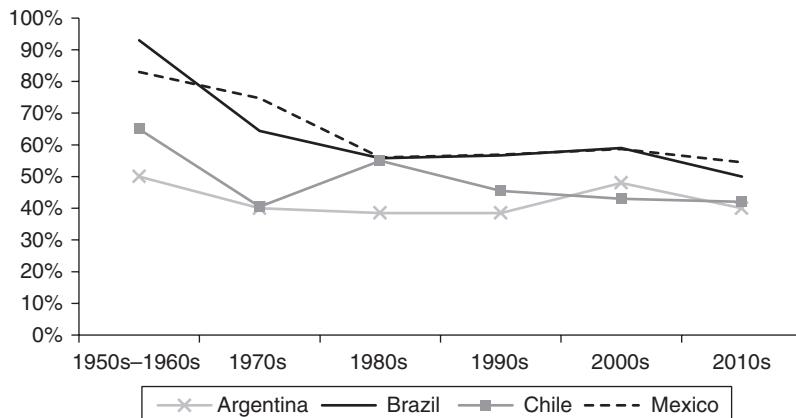


FIGURE 1.4 Outsiders as a share of total population, selected countries, 1950s–2010.

Note: In Chile and Brazil, the share of outsider workers out of economically active population; Argentina and Mexico, the share of outsider population out of total population.

Source: Author's estimates with government sources and secondary literature (Appendix 1).

to social security, we see that this share declined at different rates with industrialization and the growth of public-sector employment between the 1950s and 1980s. By the early 1980s or 1990s, it reached a plateau, making up between 40 percent and 60 percent of the total population – including both workers and their dependents – in the cases under investigation (Figure 1.4). The size of the outsider population did grow at different moments during crises, but usually on a temporary basis. Within the workforce, informal and rural workers are the groups that generally fall into the ranks of the unemployed during economic shocks, recessions, and times of high inflation.²²

At the same time that the relative size of the outsider population stagnated – growing during crises – the political relevance of outsiders increased significantly in the last quarter of the twentieth century. Beginning in the late 1970s, Latin America witnessed the longest, broadest, and deepest wave of democratization in the region's history, which afforded outsiders political weight in different ways. First, compared to previous episodes of democratic rule, outsiders gained often unprecedented

²² On the informal economy, see Beccaria and Maurizio (2003); Schijman and Dorna (2012); Portes and Hoffman (2003).

access to the vote, made possible by the elimination of prior restrictions on suffrage in countries in which these restrictions existed (e.g., literacy requirements). Second, democratic politics also created a more favorable environment for political organization and participation in protests, and raised the cost for incumbents to repress social movements.²³ These two conditions made the outsider population electorally more attractive and consequential for party leaders, and created incentives for social activism and organization among outsiders to emerge and endure.

Following the democratic transitions in each country, outsiders displayed two fundamental features that under particular circumstances incentivized governments to reach out to them with large-scale social policies: *political relevance* and *social policy neglect*. The argument introduced next and fully developed in Chapter 2 explains why, when, and how within this environment incumbents decided to “include outsiders,” that is, to provide them with nondiscretionary benefits across social policy areas characterized by deep divides separating insiders from outsiders.

1.5 THE ARGUMENT IN BRIEF

In explaining the two questions of why, after decades of neglect, some incumbents expanded nondiscretionary provisions to outsiders while others did not, and why there is remarkable variation in the shape of social policies that were adopted, this study provides an analytical framework that emphasizes the role of factors likely to emerge within democratic politics. Regarding the first question, I argue that incumbents expanded social policy when faced with high levels of electoral competition for the vote of outsiders and/or with large-scale social mobilization by coalitions of social movements and labor unions that pushed for social policy expansion through the use of protest, institutional channels, or alliances with the governing party. In the face of these pressures, incumbents considered social policy expansion (a) a powerful instrument to elicit outsiders’ electoral support when a credible challenger threatened to defeat the incumbent party by courting outsider voters, and (b) necessary to mitigate intense social mobilization. When democracies lack the incentives created by these two conditions – electoral competition for outsiders and social mobilization from below – incumbents are less likely to embark on the expansion of large-scale nondiscretionary social benefits.

²³ See, for example, Houtzager (1998), Huneeus (2000), and Novaes (1991), and references in Chapter 3.

Dynamics of expansion therefore feature two politically driven processes: one “from above,” motivated by electoral competition for outsider voters that credibly threatens incumbents’ continuity, as exemplified by the episodes of expansion in Chile and Mexico in the late 1990s and 2000s and Brazil in the 2000s; and one “from below,” propelled by social mobilization, characteristic of Argentina in the 2000s as well as the episodes of policy expansion in Brazil in the late 1980s and early 1990s. Absent these conditions, large-scale nondiscretionary social policy expansion is less likely to take place, despite the fact that outsiders make up a large electorate and are relatively excluded from social policy.

Regarding the second question of why there is striking variation in the policy models adopted (considering the scope of coverage, benefit levels, and the presence of participatory or state-centric implementation), I argue that negotiations over policy design, considering those involved in negotiations, their preferences, and their institutional power, yielded distinct models of social policy. Schematically, incumbents may negotiate policy design either (a) exclusively with the parties in Congress, or (b) with social movements in addition to, or instead of, parties in Congress. In the presence of social movements pushing for expansion, it is likely that incumbents negotiate with them or respond strategically to their demands.

When expansion is negotiated among parties in Congress, those negotiations are likely to produce policy outcomes that accommodate the preferences of different parties regarding social policy. Parties’ influence in turn is shaped by their institutional power. When conservative and center-right parties are strong (that is, parties that represent higher-income sectors, as discussed in Chapter 2), resultant policies are generally restrictive; in consonance with the preferences of elites, and often with these parties’ programs as well, they provide relatively small or moderate coverage through direct state implementation and do not protect the full outsider population. In Mexico and Chile, the processes of social policy design occurred in the context of high electoral competition (without social mobilization from below); they included negotiations among congressional parties and were shaped by the balance of partisan power. Given the power of conservative parties in both cases, these negotiations resulted in restrictive models.

If incumbents negotiate expansion with social movements or respond strategically to these movements’ demands, policy outcomes tend to result in inclusive benefits, with broad coverage and participatory

implementation. Large-scale coalitions of social movements and union allies, which, as discussed previously, were the coalitions driving incumbents to launch expansion in some cases, generally demand both broad benefits – similar to those received by low-income insiders – and participation in policy implementation.

Social movements generally gain access to the policy design process when they have catalyzed expansion through protest or pressure in institutional arenas (e.g., via lobbying or public opinion campaigns), or when they are allied to the governing coalition and exercise influence over policy choices from within the government (even if they are not able to propel on their own the initial decision to launch massive benefits). As long as powerful social movement coalitions that push for expansion are involved in the process of design, resultant policies are more likely to take on inclusive features. In Argentina, social movements and labor allies have engaged in social policy making by pushing their social policy proposals through protest and – sometimes also – through institutional channels and negotiating with policy makers over policy design. In Brazil, social movements and labor allies primarily used institutional channels to advance their social policy agenda for expansion and/or to influence policy design. As a result, inclusive policies were adopted in these two country cases.

1.6 RESEARCH DESIGN, CASES, AND DATA

This study provides the first comprehensive analysis of social policy expansion in four of the largest and most industrialized economies of Latin America – Argentina, Brazil, Mexico, and Chile – in three policy areas: pensions, health care, and income support since the beginning of the democratic transitions in the 1980s until 2010. To identify the factors and mechanisms driving social policy change, I have conducted process tracing of social policy making across all different administrations in each case, covering a total of twenty-one administrations, analyzing instances of successful social policy expansion as well as failed attempts to create large-scale nondiscretionary benefits for outsiders.²⁴ The empirical analysis is based on original measures of outsiders and social benefits and new data sets of electoral dynamics and social mobilization constructed for this project, as well as archival research and extensive interviews with key informants, as detailed later.

²⁴ On process tracing, see Bennett and Checkel (2015) and Seawright and Collier (2004).

Comparative Approach and Cases

Recent comparative studies of social policy in Latin America have focused generally on a single social policy across countries, on the evolution of social policy in a single country, or on large-N cross-national comparisons of aggregate spending.²⁵ To better address the questions raised in this book, I conducted a small-N comparative study of four countries across several administrations and three policy areas in each country. Given the absence of substantial research on this topic, this combination of longitudinal within-case and cross-country perspectives enables a comprehensive assessment of different theoretical insights and of potential explanatory factors underlying policy change, and allows for substantial theory development.

Within each country case, I employ process-tracing analysis of the policy-making process for each episode of policy expansion as well as for instances of unsuccessful attempts to expand social policy. Careful process tracing of policy making enables both identifying the factors and the specific causal mechanisms shaping expansion and assessing alternative explanations by presenting detailed evidence on their role in policy processes. Process tracing also facilitates the generation of credible and detailed information on social policy, which is notably absent in large-N studies of social spending in Latin America.²⁶

This comparative design involving cross-country and within-country comparisons across different administrations and policy areas also allows for an exploration of the effects of alternative national-level and policy-specific conditions that may be driving observed outcomes. Moreover, a longitudinal analysis explicitly takes into account temporal dynamics that affect expansion – especially time lags between policy adoption and implementation – and avoids “excessive causal proximity” in the analysis of processes that may unfold over longer periods of time (see Grzymala-Busse 2002: 16).

²⁵ On single-country studies, see Díaz-Cayeros, Estévez, and Magaloni (forthcoming). On large-N analysis using social expenditure see Huber, Mustillo, and Stephens (2008); Rudra (2002); Rudra and Haggard (2005); Segura-Ubiergo (2007).

²⁶ Several studies of social expenditure use IMF expenditure data that a) only capture direct national-level spending and thus severely underestimate social service expenditure in federal systems, and that b) group spending by theme into two categories – social services, and social security and welfare – which prevents students from observing variations across individual policy areas. See, for example, Carnes and Mares (2009); Haggard and Kaufman (2008); Kaufman and Segura-Ubiergo (2001); Segura-Ubiergo (2007).

Main Cases: Argentina, Brazil, Chile, and Mexico

This case selection maximizes variation in potential explanatory factors while holding constant certain background conditions. In terms of similarities, Argentina, Brazil, Chile, and Mexico are among the most industrialized countries in Latin America, and together with Colombia, Uruguay, and Venezuela, they have the highest income per capita in the region.²⁷ In the 1990s, all four countries adopted market-oriented reforms associated with neoliberal ideas of social protection.²⁸ These four countries, moreover, had experienced extensive periods of authoritarianism and/or limited democratic competition since the 1920s, when social security systems for formal-sector workers were first adopted in some of these countries. Finally, following the creation of labor market regulations and social benefits for insiders, labor movements in all four countries were among the most powerful in the region (see Collier and Collier 1991).

Despite these similarities, there is theoretically relevant variation in potential explanatory factors across cases and over time throughout the period under examination, from the 1980s through 2010. First, the cases differ in terms of the presence of social movement coalitions (SMCs) – alliances of social movements and labor unions demanding social policy for outsiders – in the policy areas under investigation. These SMCs emerged in Brazil and Argentina but not in Chile and Mexico. Second, the composition and level of institutionalization of party systems vary across countries and over time. Though still fluid, since the third wave of democracy and until 2010, the party systems in Chile and Mexico, and increasingly in Brazil, became more institutionalized, with rather stable partisan coalition options at the national level, whereas the party system in Argentina experienced a partial collapse in the early 2000s (see Lupu 2014; Roberts 2014). Third, partisan competition for the votes of outsiders took place in Chile and Mexico since 1999 and 2000, respectively, but occurred in Argentina and Brazil only in 1999 and 2002, respectively.

Economic conditions, such as financial stability, unemployment, and the existence of a major economic crisis or windfall economic resources, also vary across cases and over time, which allows for assessment of their weight on decisions to expand. There are contradictory expectations in

²⁷ The most industrialized countries in the region are Argentina, Brazil, Chile, Mexico, Uruguay, and Venezuela. These are also the countries with the highest GDP per capita, and the ones that have developed systems of social protection for insiders since the first half of the twentieth century. At the same time, they comprise close to 75 percent of the population in the region (see CEPAL 2009).

²⁸ See Brooks (2001); Madrid (2003); Weyland (2004).

the literature regarding these economic indicators. While economic crises may affect a government's ability to fund new benefits, they may also produce more need and demand. As shown in the chapters that follow, when combined with electoral competition or mobilization, crises may intensify the level of mobilization or increase the chances of a challenger seeking to win office.

Furthermore, variation in the size of the outsider population across the four cases provides a two-pair comparison displaying relatively lower and higher levels of exclusion. Between 1990 and 2010, Argentina and Chile had outsider populations of similar – and relatively smaller – sizes, ranging from 40 percent to less than 50 percent of the total population. Mexico and Brazil, by contrast, had relatively larger outsider populations, ranging from more than 50 percent to 60 percent of the total population, an important share of which resided in rural areas. This two-pair comparison permits assessment of the effect of structural conditions on social policy change. Did the countries with smaller outsider populations build more generous and broad-reaching benefits? As we see in the following chapters, resulting social policy models do not map onto preexisting structural and socioeconomic characteristics, with Argentina and Brazil, and Mexico and Chile, respectively, building systems more similar to each other.

Broader Comparisons

In Chapters 3 and 8, the main findings of this book are further assessed against two additional comparison sets of cases: (a) a longitudinal analysis of the four cases under investigation since the establishment of benefits for insiders in the 1920s and 1940s, and (b) a broader cross-country comparison within and beyond Latin America.

Longitudinal Comparison. In Chapter 3, I examine the period that starts with the creation of benefits for insiders in the 1920s and 1940s and that ends with the recent adoption of large policies for outsiders. This comparison has two main goals. First, I seek to assess the explanatory power of this study's framework against a period in which most benefits were extended to insiders and outsiders were largely neglected. Second, this longitudinal comparison also permits the analysis of variation in social policy provisions incumbents extended to outsiders under nondemocratic political regimes and different economic circumstances. Specifically, I investigate why incumbents in some authoritarian regimes provided some benefits to outsiders while others did not introduce social policy innovations, and I analyze the specific features of those provisions

(e.g., scope, benefit levels, nondiscretionary access) and why they were adopted.

Cross-country Comparison. The second broader comparison involves three additional middle-income countries in the region – Peru, Uruguay, and Venezuela – as well as South Africa, a middle-income country with high levels of economic inequality, which has been analyzed in comparative political economy and public policy studies together with middle-income countries of Latin America (see Lieberman 2003, 2009; Seidman 1994). These four cases display broad variation across both explanatory factors and outcomes. Venezuela and Peru allow us to assess social policy dynamics in cases without significant expansion of large-scale nondiscretionary benefits, and without a strong presence of the key factors propelling incumbents to expand. Uruguay in turn exemplifies dynamics of expansion propelled by electoral competition for outsiders and exhibits intertemporal variation in the process of policy design, with conservatives dominating policy making in the early expansions and social movements engaging in the process of expansion through an allied party at a later stage. Finally, South Africa provides an excellent case for assessing the applicability of the argument in a context of no electoral competition for outsider voters. In this particular case, social movements allied to a dominant party played a prominent role in prompting adoption and shaping policy in specific areas.

Data Sources and Analysis

This book's comparative analysis of social policy processes relied on original data from multiple sources gathered for this project. I collected social policy data from policy documents and public archives in all four of the main country cases, and used them to create new measures of social policy. I conducted interviews with approximately 265 key informants. These included leaders of social movements, labor unions and rural organizations, policy makers who were directly involved in policy expansion (including secretaries, ministers, and former presidents), legislators, party leaders, politicians and candidates involved in presidential campaigns, representatives of employers' associations, pension funds, and private providers in the health care sector. These interviews helped to reconstruct the process of policy expansion and policy design, its underlying motivations, and the goals and policy preferences of the different actors involved. Transcripts of congressional sessions, party documents and campaign platforms, as well as petitions and documents produced by social

movements and congresses of labor confederations, further contributed to understanding the motivations, demands, and expectations regarding expansion, the coalitions or alliances they formed to achieve or oppose expansion, and the negotiations over the shape of social programs.

In addition, I constructed a database of episodes of social policy making based on content analysis of newspaper articles referring to policies for outsiders from 1989 through 2011 in Argentina, 1987 through 2006 in Brazil, 2002 through 2008 in Chile, and 1988 through 2007 in Mexico. For each country, I surveyed at least one national newspaper: *Clarín* in Argentina, *El Mercurio* in Chile, and *La Jornada* in Mexico. For Brazil, I worked with an index built by the Library of the Brazilian Senate with seven national newspapers.²⁹ For the cases of Mexico and Argentina, I also consulted *Reforma* and *La Nación*, respectively, for parts of the period under investigation. Finally, I created a Data Set of Protest for Argentina that maps the evolution of social mobilization for social benefits, which was led primarily by unemployed workers and their labor union allies from 1996 through 2010. This data set includes close to 2,000 protest events, as well as information on these events concerning their duration, location, participants, demands, state responses, and violence.

Collecting data systematically from different sources afforded the opportunity for triangulating information, a fundamental aspect of process tracing in qualitative research. The database of policy-making events further helped inform the examination of government documents and the conducting of interviews, and ultimately produced more detailed and accurate chronologies of social policy processes – another critical aspect of process tracing.

To characterize the evolution of electoral competition for outsiders, I used available quantitative data, especially electoral surveys (from survey firms and academic institutions), as well as ecological data. With poll data I identified outsider and insider voters and mapped their voting patterns in Brazil, Chile, and Mexico since the first democratic election (comparable national data were not available for Argentina). To complement these measures, I constructed measures of electoral competition for outsiders for each selected country since the first democratic presidential elections until about 2010–11, identifying districts in which outsiders

²⁹ *Folha de São Paulo*, *O Estado de São Paulo*, *Jornal do Brasil*, *Jornal da Tarde*, *Jornal de Brasília*, *Correio Brasiliense*, and *O Globo*. Some articles from other newspapers have also been used.

are the majority of the population, and measuring levels of competition in presidential elections in those districts. For some countries and years I relied on existing election data sets constructed by other researchers, while for others, I used government documents and archival research to construct new data sets of elections (see Appendix 3 for further information on these data sets).

1.7 STRUCTURE OF THIS BOOK

This book is organized into eight chapters. Chapter 2 presents this book's analytical argument, which accounts for the expansion of social policy for outsiders and for the different models these policies took. It introduces the conditions that lead incumbents to expand nondiscretionary social policy and the factors that shape policy design along restrictive and inclusive models. It also considers the strategies incumbents use to overcome opponents and to obtain funding for new programs. Chapter 3 adopts a longer historical perspective, drawing on the analytical framework to understand why large-scale, nondiscretionary social programs were not expanded to outsiders prior to the expansions documented here. It further analyzes the kinds of policies created for outsiders in previous decades and identifies the conditions under which governments: (a) did not expand any benefits for outsiders, (b) expanded large, discretionary (often temporary) benefits, or (c) created small benefits for outsiders. The time period begins with the creation of the first large-scale social programs for the formal workforce in the 1920s and 1940s through the 1980s or 1990s, depending on when large-scale expansion began in each country. In this chapter, I demonstrate that governments provided little social protection for outsiders during this period because of the few instances of democracies that had mobilization from below or electoral competition for outsiders. The two cases in which social protection was extended to outsiders – the inauguration of health care services in Argentina in the late 1940s and in Chile in the 1960s – occurred in the context of electoral competition for outsiders.

Chapters 4 through 7 draw on this analytical framework to explain social policy expansion and the adoption of inclusive social policy for outsiders in Argentina and Brazil, and restrictive social policy in Mexico and Chile. Through an in-depth analysis of social policy making in each administration since democratization, I show that incumbents, irrespective of partisan affiliation, were likely to expand social policy in response to high electoral competition for outsiders and/or mobilization

from below pressing for social benefits. I further show that governments adopted different models of social policy depending on whether incumbents negotiated policy design with the congressional opposition or whether they (also) responded to social mobilization and granted social movements access to the process of policy design. The concluding chapter extends the argument to a broader comparison of middle-income countries and assesses the social and political effects and theoretical implications of these social policy transformations.