Latin American Social Security Reform in the 1990s

USAMI Koichi*

Abstract

This article deals with the social security reform in Latin America in the 1990s. After describing the characteristics of the Latin American social security system before the 1980s and the primary factors leading to its formation, it explains the outline of the social security reform in the 1990s, whose core were the incorporation of the private sector into the former public social insurance system and the introduction of market principles into social security policy. However, there has not been a complete change in the Latin American social security system to a market model. The political and economic factors, both internal and external, that promoted social security reform in the 1990s are discussed.

Key Words: social security, Latin America, pension reform, health care reform

I. Introduction

Latin America's high levels of external debt was the cause of both high inflation and negative economic growth in the 1980s, a period known as "The lost decade." Many Latin American countries adopted a neoliberal policy which emphasized market mechanisms in the 1990s, as a solution to the crisis. The main elements of this policy program involved abolition of industrial protection, trade liberalization, deregulation and privatization of state-owened companies. With the implementation of these measures, import substitution industrialization, a model of economic growth before the 1980s, came completely to an end.

In this process, urban formal sector workers generally full-time, permanently-employed workers, were criticized for provoking the raise in labor costs, under keen market competition. The reduction of industrial sector protection and the hypertrophied public sector meant the abolition of guarantees that urban formal sector workers had acquired institutionally in relation to wages and employment conditions. The social security system implemented in Latin America during the period of import substitution industrialization and developed primarily for formal sector urban workers, was largely reformed in the

* Senior Research Fellow, Institute of Developing Economies, Japan.

context of economic liberalization and changes in industrial relations during the 1990s. This paper gives an outline of social security reform achieved in the 1990s in Latin America, focusing on pension and health care systems, and it mentions the primary factors leading to this reform. In part Ⅱ, I describe the characteristics of the social security system and the primary factors leading to its formation before the 1980s. In part Ⅲ, the outline of the social security reform, implemented in the 1990s, is explained. In part Ⅳ, the political and economic factors that promoted social security reform in the 1990s is discussed.

Ⅱ. Social Security System before the 1980s

a. Diversity in social and economic situations among Latin American Countries

The Latin American region presents a diverse group of countries as regards economic, political and social phenomena, from Brazil, with a population exceeding 160 million, to the Caribbean countries, each with a population of a few thousand. A great difference can be seen in this region with regard to economic development and social security expenditures. Table 1 shows the great difference in the GDP per capita, from 9,070 dollars in Argentina, to 431 dollars in Nicaragua, in 1997. As regards public social expenditure, there is a great difference between Brazil, in which it represented 22.8% of the GDP, and El Salvador, in which it represented 4.3%, in 1998-99. Wilensky (1975) indicates that there is a strong correlation between economic development and the increase in social expenditure. This theory is known as the "industrialization hypothesis." In the case of Latin America, most countries with a low GDP per capita show low public social expenditure, while countries where GDP per capita is high exhibit a tendency for high public social expenditure. However, in the case of Mexico, with a GDP per capita reaching 4,265 dollars, public social expenditure represents only 9.1% of GDP. In contrast, in the case of Costa Rica, with a GDP of 2,540 dollars per capita, public social expenditure reaches 16.8% of GDP. This shows that there is no absolute correlation between economic development and the level of public social expenditure. Moreover, the social security system differs from country to country, and as Esping-Andersen (1990) and many other researchers point out, it is also necessary to take into consideration political factors affecting the social security system in Latin America.

In countries where public social expenditure represents a high percentage of GDP, such as Argentina, Brazil, Uruguay, Chile, Costa Rica, coverage of social insurance, mainly the pension system, is extensive. In addition, social insurance system is improving, and the number of persons joining the system is high. This paper examines countries where public social expenditure is high, such as Argentina and Brazil, and it also looks at Mexico, the largest Spanish-speaking population country. However, in this region there is a comparatively large informal sector existing parallel to the formal sector. This is also true in

Table 1 Socio-Economic Indicators in Latin America

	Social Expenditure a %	Ratio of Pensioner b %	Gini c	Per Capita d	Ratio of Indigence e %
Argentina	20.05%	77%	0.542	9,070	(1)4.3%
Bolivia	16.10%	27%	0.504	996	32.60%
Brazil	21.10%	68%	0.625	4,930	9.60%
Chile	16.00%	70%	0.553	5,271	4.70%
Colombia	15.00%	20%	0.564	2,384	23.20%
Costa Rica	16.80%	42%	0.454	2,540	7.50%
El Salvador	4.30%	19%	0.462	1,935	18.30%
Guatemala	6.20%		0.543	1,691	28.00%
Honduras	7.40%	9%	0.518	785	50.60%
Mexico	9.10%	26%	0.507	4,265	13.20%
Nicaragua	12.70%	19%	0.551	431	40.10%
Panama	19.40%	48%	0.553	3,159	8.30%
Paraguay	7.40%	25%	0.497	1,961	26.00%
Peru	6.80%		na	2,674	Na
Dominica Rep	6.60%	18%	0.509	1,841	12.80%
Uruguay	22.80%	89%	0.44	6,026	(2)0.9%
Venezuela	8.60%	13%	0.464	3,678	19.40%

a: Public social expenditure as percentage of GDP in 1998-99. It includes education, health and nutrition, social security, employment and social assistance, and sewage systems.

b: Percentage of population aged 65 and over receiving retirement and pension income in urban areas in 1997

c: Gini coefficient in 1999

d: GDP per capita in 1997 in US dollars

e: Households below the indigence line in 1999, (1) and (2) only urban areas

Source: CEPAL (2000b); CEPAL (2001b); U.N. (1999).

the "advanced countries" of the region, a point that cannot be overlooked. In contrast, though there are some exceptions, in countries with low levels of economic development and low public social expenditure, such as Honduras, Bolivia, Nicaragua, the rate of poor and indigent households is high. Conversely, the coverage of social insurance rate is low in such places (see Table 1). It is commonly accepted among researchers that the adoption of policies to combat poverty is a priority for social security systems in these countries.

In Latin American countries the term "social security" is often used synonymously with "social insurance." In this paper, the term "social security" is used in its broad sense, including social insurance, social assistance, and health care.

b. Development of social security systems prior to the 1980s

The characteristics of social security systems in "advanced countries" in Latin America can be summarized as follows: 1) compared to East Asian newly industrializing countries, the implementation of the system started earlier, 2) the main beneficiaries of the social system were formal sector workers, 3) the social assistance policy available to informal sector workers who could not be covered by social insurance was of a residual character, so

4) there are differences (in social insurance) between the formal sector and the informal sector. There are also differences in social insurance benefits within the formal sector.

In "advanced countries" such as Argentina, Uruguay, and Brazil, the pension system for government workers was established prior to World War II. After World War II, the expansion of the social insurance system continued advancing so that in the period from the 1960s to the 1970s almost all workers were covered by social insurance in the "advanced countries" of the region.

Mesa-Lago considers Uruguay, Chile and Argentina to be the pioneers in the region in adopting a social insurance system. He says "The pioneers were the ones who first introduced social security systems (especially pensions), and these are the most developed countries in this sense; in other words, they have all the range of social insurances (pensions, diseases-maternity, labor and employment risks), as well as family allowances and social assistance covering almost the whole population, or at least the great majority of the population" (Mesa-Lago, 2000: 19) (also see Table 2). He includes Cuba and Costa Rica among "advanced countries" of the region, but Brazil should be included within this group as well.

However, as shown in Table 1, even in the "advanced countries" of the region, the coverage rate of pensions varies from 89% in Uruguay to 42% in Costa Rica, and a considerable percentage of the elderly lacks this coverage. Most of the elderly lacking pensions belong to the informal sector, and it may be inferred that they did not join the pension system or they did not pay contributions to the system. Moreover, in 1999, the rate of poor and indigent households in "advanced countries" cannot be considered low,

Table 2 Comparison of Social Insurance Systems in Latin America

	First Program	Other social insurances				Coverage %	
	Pension	Sickness	Work Injury	Unemployment	Family	Total	Active
		1977				1989-98	
Argentina	1930s	X	X	X	X	80	82
Bolivia	1956	X	X		X	21	13
Colombia	1945	X	X		X	16	35
Costa Rica	1943	X	X		X	86	60a
Cuba	1920	X	X	X		100b	93b
Chile	1924	X	X	X	X	93	80a
El Salvador	1953	X	X			16	26
Mexico	1941	X	X			58	44
Peru	1936	X	X			24	32
Uruguay	1919	X	X	X	X	88	80

Pension includes old age, disability and death. Sickness includes sickness and maternity. Family means family allowances. Active means economically active population.

a: Coverage increases highly if pension assistance is added.

b: Legal coverage. Statistics are not available.

c: There is a great age variation among multiple programs in 1979.

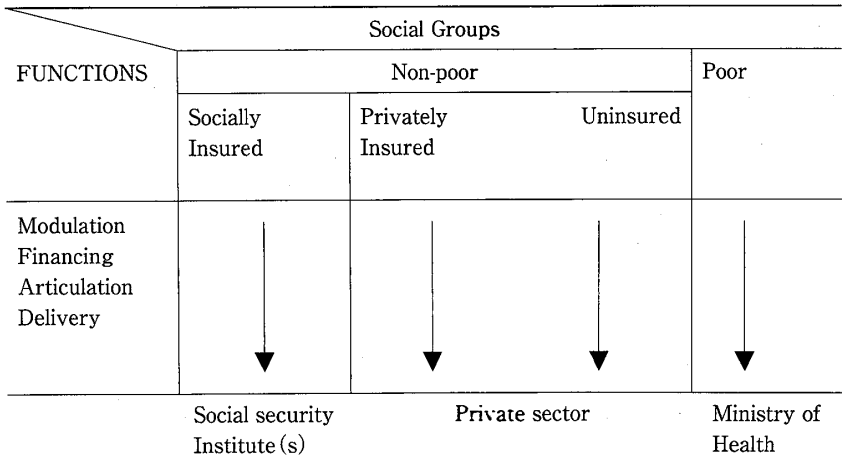
Source: Mesa-Lago (2000), p. 55.

with rates of 20.6% in Argentina and 39.5% in Brazil. Though this poor and indigent population was receiving social assistance such as food assistance, this assistance could not meet their needs either from the point of view of quantity or quality. Grassi and other researchers take Argentina as an example to describe the characteristics of social security policy: "The wide and simultaneous development of worker category and his specific rights to protection favored at the same time the residual character of public assistance (Grassi et. al., 1993)."

In this way, it can be said that the characteristics of the social security system established before the 1980s in "advanced countries" of Latin America are: 1) the system centered on social insurance, 2) a great gap existed between the formal sector and informal sector, and 3) in the social insurance system there was a difference in the conditions of contributions made and benefits received by workers according to the location of ones occupation in the formal or informal sector. Figure 1 shows the general health care system in Latin America, and indicates the difference in structure of the health care system according to the social stratum. Poor people belonging to the informal sector are users of public hospitals, and as a rule, they are not charged at all or they are charged a minimum amount for this service. The non-poor population is divided in two groups; workers belonging to the formal sector are registered in the social insurance system, and covered by this system. On the other hand, urban middle and upper classes are users of high quality private health care services/insurance. They are not covered by the social insurance system, or sometimes even if they are covered by social insurance system, they prefer to use private health care services/ insurance (Londono and Frenk, 2000: 33-34).

As we have seen above, the social security system in Latin America was, on the whole, social insurance centered, with a dual gap. In the case of Costa Rica, a social insurance model was implemented, with a universal medical system. Moreover, in this country under the social democratic PLN administration, the social service has been extended, including the universalization of social security, the creation of a national health plan, and the in-

Figure 1 Most Common Health Model in Latin America



Source: Londoño and Frenk (2000), p. 33.

troduction of family allowances (Wilson, 1998: 102). Costa Rica, an "advanced country" in regard to social security in the Latin American region, has a relatively universal system. This point makes it an exception in this region, along with socialist Cuba.

c. Main factors contributing to the development of the Latin American Social Security Model before the 1980s

The following factors can be indicated as influencing the creation of the above mentioned social security system in Latin America before the 1980s: 1) the fact that the import substitution industrialization process started early and continued for a long period, 2) due to active intervention by the state in the economic sector, there was an expansion of the state sector, 3) as a result, there was an expansion of urban workers and the middle class and labor unions came to have a certain political power, 4) the coming into power of populism, which has urban workers as its principal support base, and 5) even during military regimes, due to several reasons, there was an expansion of social insurance, etc.

Compared to East Asian countries, the implementation of the import substitution industrialization model in Latin America started earlier, during the world financial crisis of the 1930s. Then, after World War II, the state started a full-scale promotion of import substitution industrialization policy, which continued for a long period, until the collapse of the model due to the economic crisis in the 1980s. In this process the state protected in different ways the development of national industries, from imposing high duties rates to establishing state-owned companies in the heavy and chemical industry, and mineral resources sector. The expansion of the state sector was accompanied by the nationalization of the infrastructure sector, which had been owned by foreign capital, under the exaltation of economic nationalism of the post-World War II period. In this way, there was a strong participation of the state in the economic development of the import substitution industrialization model in the post-World War II period.

Huber asserts, "The development of social policy in Latin America has to be understood in the context of the political economy of import substitution industrialization (Huber, 1996)." Employment and salaries of urban workers of the formal sector were institutionally guaranteed by the import substitution industrialization protective measures and the large-scale employment favored by state expansion. Moreover, formal sector workers constituted unions and held a political influence.

Countries having labor legislation favorable to formal sector workers and keeping a social insurance system were under populist governments, as the case of the Peron administration in Argentina, the Vargas administration in Brazil, and the PRI administration in Mexico. These governments held workers of the urban formal sector as their main support base, and tried to exercise control over labor unions, a characteristic of state corporatism. (In the case of Mexico, farmers' unions were also part of the main support base). Though

there were differences from country to country in the provision of the social insurance system and unionized worker-oriented labor legislation, one characteristic was shared by these countries: the existence of a government control policy over workers. However, it cannot be asserted that labor unions in countries under populist administrations were completely under state control, as labor unions had a certain influence, and consequently it is considered that social security policy had been decided bilaterally by the strategy of the state corporatism and the demands of labor unions. On the other hand, in the case of Chile, labor unions joined with political parties such as the Communist, Socialist and Radical Parties, becoming a strong pressure group (Mesa-Lago, 1978: 28). In Costa Rica, even though labor unions' power weakened after civil war, the PLN, a newly organized social democrat party, came repeatedly into power and expanded the social security policy (Wilson, 1998: 81-109).

Moreover, contrary to what may generally be expected, when military governments came into power after the collapse of populist administrations, there are cases in which social insurance was expanded in South America. The interpretations of the expansion of the social insurance system during military government periods can be roughly classified in two groups. The first interpretation refers to the emphasis upon the role performed by technocrats in the authoritarian regime. Malloy mentions the case of Brazil as an example and states "the orientation and goals of the military regime converged with those of social insurance technocrats to create an alliance willing and able to impose a systematic reform of the social insurance system" (Malloy, 1979: 144). The second interpretation states that labor unions could preserve a certain influencing power, withstanding the pressure received from the military government, so that the military regime had to accept an expansion of social insurance as a concession. For example, in Argentina, during Ongania administration in 1970, a compulsory social medical insurance law (ley de obras sociales), which included all employed workers was approved. In addition, labor unions could take over the administration of this medical insurance. This is considered to be the result of the 1969 large-scale riot leaded by labor unions and students in Cordoba. Perez Irigoyen observes: "This concession made to labor unions was influenced by the political circumstances of the time (Pérez Irigoyen, 1989: 178)."

Ⅲ. Social Security Reform in the 1990s

a. Pension Reform

After undergoing the economic crisis of the 1980s, Latin American countries in the 1990s came to adopt a neoliberal economic policy, which emphasized market mechanisms. At the same time, reforms in the field of social security were implemented, such as social insur-

ance reform, and especially the pension system became the central issue of the reform. The former public system (a pay as you go system) was criticized for the deterioration of the pension system's liquidity, due to factors such as evasion of contribution, population aging, poorly defined payment conditions, and the early retirement system. Thus, the pillar of the reform was the adoption of an individual capitalization system, which would contribute to the formation of the capital market and establish a close relationship between the contributions paid and the pension amount to be received. The first country to implement a drastic pension system reform was Chile during the military administration in 1981. The pension reform in Chile constitutes the model of conversion to the capitalization system that is" the new system is the only one that includes a capitalization system with contributions made exclusively by workers and administrated by private entities" (Barreto de Oliveira, 1994: 3).

However, among major countries in the region, Mexico has been the only one to implement an conversion to the capitalization system as a major part of its system besides Chile. Other countries chose combinations of former systems with the partial introduction of the capitalization system. Mesa-Lago classifies pension reforms implemented in Latin America during the 1990s into three types: a) Substitutive, a system that closes the public system and replaces it with a new system of full and individual capitalization (CPI), as seen in Chile (1981), Bolivia (1987), México (1997) and El Salvador (1998); b) Compound, which does not close the old system but reforms the public system and integrates it as a basic-solidarity component with a new CPI component, as seen in Argentina (1994) and Uruguay (1996); c) Parallel, a system that does not close the public system but reforms it partially or completely and ends with a monopoly regime through the creation of a new CPI system that competes with the public system, seen in Peru (1993) and Colombia (1994) (Mesa-Lago, 2000: 22).

b. Other Social Insurance Reform

There was a trend towards urging the incorporation of the private sector in the reforms of social security systems other than pension schemes, especially the reform of health care services. However, similar to what could be observed in pension reforms, reforms implemented in health care systems varied from country to country, from the case of Brazil where a universal health care system was adopted, to the case of Chile, where after urging the incorporation of the private sector into the health care system during the military administration, there was a tendency toward strengthening the public sector with the onset of a democratic government (Barrientos, 2000).

In Argentina, in addition to pension reform, an unemployment insurance plan was established for the first time in 1991, and a significant reform was implemented in the medical insurance system in 1997. The adoption of unemployment insurance in 1991 was simultane-

ous with the reform of the industrial relations law, and constituted an answer to the increase in employment instability. In Argentina, the right to administer the "obras sociales" medical insurance system was also recognized for labor unions, and as a result, most "obras sociales" are managed by labor unions. In this type of medical insurance system, workers automatically become enrolled in the medical insurance of their workplace. This procedure has been criticized for obstructing competition among medical insurance and health care service providers and for producing service deterioration and an increase in contributions paid (Panadeiros 1991: 13-27) In order to stimulate competition among providers of insurance and health care services, a new system allowing a free choice of insurers has been adopted. However, due to labor union opposition, it was decided not to include private medical insurance services in the range of options (Usami, 2001). In addition, the public hospital system, which aids low-income individuals, has undergone a process of decentralization and is at present on its way to self-management (auto gestión).

In Brazil, social insurance relies heavily on the pension system; in fact, the expression "social insurance" is used to denote "pension." This pension system is divided into a system for private workers (a pay as you go system) and a non-contributory system for government workers (until 1998). As regards contributions and benefits, the pension system for government workers has been more favored than that of the private workers. Pension reform in Brazil developed slowly. It has been limited to introducing restrictive conditions to the benefits of the private worker pension system and obligatory contribution by government workers. (Koyasu, 2001).

Contrary to the slow progress in pension system reform, in 1990a substantial reform was implemented in the health care system in Brazil. This included the adoption of a completely universal system. The former system was divided into a social insurance system for the workers in the formal sector and a free health care service system for the workers in the informal sector. The latter system failed to meet the needs from both quality and quantity perspectives. The new system, introduced in 1990 and called "sistema único de salud" (sole medical system), consisted of a free health care system offered in public health institutions to all citizens. However, there are still problems, as the middle and upper class populations, not satisfied with public health care facilities, turn to private health care institutions and insurance. Moreover, there are regions with no access to public medical institutions (Takagi, 2001).

Health care reform in Chile had an evolution parallel with pension reform. Medical insurance had been the main institution of the former health care system, oriented to white collar and blue-collar workers. As a result of the 1981 reform, those enrolled could choose between public medical insurance and the private medical insurance. In addition, public hospitals are on their way to decentralization. However, since a democratic center-left administration came to power, there has been a tendency toward strengthening the public health care sector (Barrientos, 2000).

Similarly, in the case of Mexico there has been a parallel evolution of pension and health care system reform. The former Mexican system was composed of three parts: 1) the medical insurance system for workers in the formal sector, 2) a public hospital system under the jurisdiction of the Ministry of Health oriented principally toward the informal sector not covered by insurance, and 3) a private sector. The largest form of social insurance was the Instituto Mexicano de Seguro Social (IMSS) (Mexican Institute of Social Insurance) for private sector workers. When pension reform was implemented in 1995, the medical insurance system was separated from pension accounts, so that contributions to the medical insurance system from public funds increased, and the proportion of contribution funds decreased. Moreover, the IMSS created a new system oriented to non-participants, consisting of government assistance and contribution funds, and urged public enrollment in an IMSS medical insurance system. In addition, the public hospital system, under the jurisdiction of the Ministry of Health, is moving towards decentralization (Gómez-Dantés, 2001; Tani, 2001).

Ⅳ. Background for Social Security Reform in the 1990s

a. Dismantling the ISI systems and its effects on Social Welfare

Neoliberal economic policies, stressing market functions and adopted by each country as a break away from the 1980s economic crisis and its effects, can be indicated as one of the circumstances in which social security reform was carried out in the 1990s. With the exception of Chile, where a military regime implemented a neoliberal economic reform and social insurance system reform, in the rest of the countries, measures such as economic liberalization, deregulation, and privatization of state-owned companies were carried out by a democratic administration. This was seen in the case of the Menem administration in Argentina (1989-1999), the Collor de Mello administration in Brazil (1990-1992), the Salinas administration in Mexico (1988-1994) and the Fujimori administration in Peru (1990-1999). The implementation of these measures meant the complete replacement of the import substitution industrialization model by a market economy model. It can be pointed out that globalization of the economy was taking place simultaneously with the implementation of a neoliberal economic policy in Latin America.

The change to the market economy model meant the abolition of the protection given to wages and employment for formal sector workers as a result of protectionist measures and the oversized state employment system implemented during the period of the import substitution industrialization. Moreover, economic liberalization and deregulation meant the intensification of domestic and foreign competition, and became a pressure towards reduction of labor costs. Accordingly, full-day, permanent labor contracts were criticized for in-

creasing labor costs. The encouragement of market competition contributed to the improvement of competitiveness, but, on the other hand, it produced destabilization of employment (CEPAL, 2000 a: 20). In addition, there has been an increase in informal employment (those with no labor contract), and it can be said that industrial relations in general have become unstable.

Social insurance system reform, consisting of the change from a pay as you go pension system to a private capitalization system and the inclusion of private sectors in the health care system, is part of the conversion process to a market economy model. It was assumed that the inclusion of the private sector into the pension and health care systems would allow the implementation of efficient and high-quality service. Moreover, it was expected that the introduction of a private capitalization method in the pension system would produce the formation of capital markets and would contribute to economic development. The individual pension account of a private capitalization system clearly indicates the relationship between contributions and benefits, and it was believed that this would mitigate the contribution evasion problem. Moreover, it was asserted that the individual accounts of the capitalization system were suitable to deal with the increase in job mutability that was considered the basis of flexible industrial relations.

However, during the economic growth of the 1990s, countries such as Argentina and Uruguay showed economic growth without an employment increase or a rise in unemployment. Unemployment rates in 2001 were 17.4% in Argentina, 15.4% in Uruguay, 16.9% in Panama and 18.5% in Colombia (CEPAL, 2001 a) (see Table 3). In a situation where high unemployment rates become a constant and there is significant growth of informal employment, social insurance policies such as pension systems and medical insurance systems face the problem of decreasing enrollees and the growth of contribution evasion.

b. Political factors of Social Security Reform

The weakening of labor unions that received benefits from the former social security system can be seen as a political factor that allowed the implementation of a market oriented model of social security. In the past, labor unions feared that the reduction of acquired benefits would be the result of social security system reform. Thus, they would frequently stand against such reform. However, continued employment grew uncertain with economic liberalization, and thus, labor unions started to lose political influence due to the decreasing membership. In the period 1985-1995, the membership rate of labor unions decreased by 42.6% in Argentina, by 28.2% in Mexico, and by 42.6% in Venezuela (ILO, 1997: 237-240). In any case, it is maintained that corporatist political structures weakened under the market oriented economy model during the 1990s.

The Latin American governments implementing social security reform in step with neoliberal economic reform in the 1990s, were all democratic governments. There are

Table 3 Latin America and the Caribbean: Urban Unemployment (Average annual rates %)

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
L. A.. & Caribbean		6.1	6.2	6.3	7.2	7.7	7.2	7.9	8.8	8.4	8.4
Argentina	Urban areas	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1	17.4
Barbados	Total national	24.3	21.9	19.7	15.6	14.5	12.3	10.4	9.2		
Bolivia	Capitol	5.4	5.8	3.1	3.6	3.8	4.4	6.1	8.0	7.6	
Brazil	6 metropolitan	5.8	5.4	5.1	4.6	5.4	5.7	7.6	7.6	7.1	6.3
Chile	Total national	6.7	6.5	7.8	7.4	6.4	6.1	6.4	9.8	9.2	9.5
Colombia	7 metropolitan	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.4	17.2	18.5
Costa Rica	Total urban	4.3	4.0	4.3	5.7	6.6	5.9	5.4	6.2	5.35.8	
Cuba	Total national	6.1	6.2	6.7	7.9	7.6	7.0	6.6	6.0	5.5	4.5
Ecuador	Total urban	8.9	8.9	7.8	7.7	10.4	9.3	11.5	14.4	14.1	10.9
El Salvador	Total urban	8.2	8.1	7.0	7.0	7.5	7.5	7.6	6.9	6.5	6.1
Guatemala	Total national	1.6	2.6	3.5	3.9	5.2	5.1	3.8			
Honduras	Total urban	6.0	7.0	4.0	5.6	6.5	5.8	5.2	5.3	6.3	
Jamaica	Total national	15.7	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.5	
Mexico	Urban areas	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.2	2.5
Nicaragua	Total national	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.7	9.8	10.7
Panama	Metropolitan	17.5	15.6	16.0	16.6	16.9	15.5	15.2	14.0	15.2	16.9
Paraguay	Total urban	5.3	5.1	4.4	5.3	8.2	7.1	6.6	9.4	10.7	
Peru	Lima	9.4	9.9	8.8	8.2	8.0	9.2	8.5	9.2	8.5	9.5
Dominican Rep.	Total national	20.3	19.9	16.0	15.8	16.5	15.9	14.3	13.8	13.9	15.2
Trinidad and Tobago	Total national	19.6	19.8	18.4	17.2	16.2	15.0	14.2	13.1	12.5	
Uruguay	Total urban	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.3	13.6	15.4
Venezuela	Total national	7.8	6.6	8.7	10.3	11.8	11.4	11.3	14.9	14.0	13.9

Source: CEPAL (2001a).

authors who ascribe the existence of democracy in these governments as a factor allowing the implementation of large-scale reform. O'Donnell calls this type of democracy a "delegative democracy" ("democracia delegativa"). He states: "delegative democracy consists in producing, through clean elections, a majority authorizing somebody to become an exclusive interpreter of the highest interests of the nation" (O'Donnell, 1997: 294).

However, the results of market-oriented social security reform have not been uniform in all the countries in the area. It has already been mentioned that the content of reforms implemented have been varied, depending on the country. Moreover, it may be considered that those differences in reform reflect the differences in political situation and political system in each country. Murillo gives the examples of Argentina, Mexico, and Venezuela and explains "the interaction between labor unions and their allied parties on the road to market reforms based on labor competition and partisan coalitions" (Murillo, 2001: 196). According to Murillo, the differences in the market reforms implemented are the results of such factors. On the other hand, Takahashi (2001: 20-25) maintains that the political system is the reason why government worker pension system reform implemented in Brazil does not advance. She points out that "pensioner cum politicians trying to protect acquired benefits, functioned as potential veto players, and that Brazil's highly fragmented party system provided the RJU (interested group) coalition with opportunities to veto policy change." In the case of Argentina, the fact that medical insurance is closely related to la-

bor union interests, and the consequent labor union opposition to such reform, can be considered as factors explaining why medical insurance reform has been slower than pension reform. In general, labor unions are losing their influences, but they didn't lose all of them. In Argentine political context, corporatism still maintains certain political role. In the latter two cases, political legacies constrained social security reform.

Meanwhile, social democratic governments came into power in South America, as in the case of Brazil, with a social democratic administration in 1995, Argentina, with the de la Rua Alianza administration in 1999, and Chile, with Lagos from the socialist party, becoming president in 1999. These administrations tried to mitigate social problems caused by neoliberalism, and aim at economic and social models similar to the European social democrats' "Third Way," which aims at the coexistence of social equity and market mechanisms. Thus, the political objective of these administrations is the implementation of a more impartial and universal social security policy. Part of this policy has already been implemented. However, there are a considerable number of public commitments that cannot be fulfilled due to financial limitations.

V. Final Remarks

Social security reform, especially pension reform and health care system reform implemented in Latin America in the 1990s, allowed the incorporation of the private sector into the former public social insurance system. The reform also tried to introduce market principles into social security policy. This process went in the same direction as the economic model change as it shifted from the import substitution industrialization model to the market-oriented model. Moreover, labor unions, weakened politically, lost their ability to sustain the former social insurance policies. At the same time, international organizations such as the IMF and World Bank recommended structural reforms to the countries of the region. Under these circumstances, social security reforms have been achieved by strong "delegative democracy" type governments.

However, there has not been a complete change in the Latin American social security system to a market model. In the case of pension systems, most countries adopted a combination system, which introduced a private capitalization system into a reformed public pay as you go system. It is contended by some authors(Pierson, 1994) that preexisting political systems and institutions influenced the various social security reforms and produced the differences among them. Moreover, there are examples, such as in the cases of medical insurance in Costa Rica and health care in Brazil, where policymakers maintained or introduced a universal system. It may be the case that this has been the product of the political circumstances and political system differences in each country.

On the other hand, in the 1990s, industrial relations in some countries became unstable

while unemployment rose, producing stagnation or a decrease in social insurance coverage. In this situation, social assistance policy increased in importance. Especially, as observed in the case of Argentina's economic crisis in late 2001, the implementation of urgent anti-crisis social assistance has been especially important. Similar to social insurance, urgent social assistance in the 1990s, in most cases, pursued efficiency and demanded strict targeting. In countries such as Argentina and Brazil, there is a coexistence of targeting oriented model and universal characteristics such as public health care system. Moreover, NGOs as the organizations responsible for the implementation of social assistance have an active role in different fields. Here one observes that the role of civil society as regards social assistance is on the increase.

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