

SOCIAL POLICY IN SOUTH AMERICA. THE EFFECT OF ORGANIZED LABOR AND
CIVIL SOCIETY GROUPS ON PENSION AND HEALTH REFORMS IN ARGENTINA
AND BRAZIL (1988-2008)

SARA NIEDZWIECKI

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Approved by:

Evelyne Huber

John D. Stephens

Thomas Carsey

ABSTRACT

SARA NIEDZWIECKI: Social Policy in South America. The effect of organized labor and civil society groups on pension and health reforms in Argentina and Brazil (1988-2008)
(Under the direction of Evelyne Huber.)

The present paper examines the effect of unions and other civil society groups on social policy in South American democracies. Long-term effect of such organized groups will be measured through levels of social expenditure; and contextualized influence will be measured observing the process of structural reforms (or lack thereof) in Argentina and Brazil in the health and pension sectors. This analysis shows that both partisanship and union strength matter in the expansion period for social security spending and pension reform processes. Alternatively, in determining spending on human capital and health reforms, the role of organized labor and other social groups is the key variable to understand social policy change. This study seeks to improve upon previous work by testing whether welfare state theories travel to South America to explain differences in the depth of social policy changes. Additionally, it innovates by assessing the independent effect of unions on social policy since the return of democracy to the present and by combining quantitative and qualitative research strategies, namely a modified random effects pooled time series and a case study comparison.

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LIST OF ABBREVIATIONS

ADEBA	Asociación de Bancos Argentinos, Argentine Bankers Association
AFIP	Administración Federal de Ingresos Públicos, Federal Administration of Public Revenue
AFJP	Administradoras de Fondos de Jubilaciones y Pensiones, Managed Pension and Retirement Funds
ANFIP	Associação Nacional dos Auditores Fiscais da Receita Federal do Brasil, National Association for Social Security Auditors
ANSES	Administración Nacional de la Seguridad Social, National Administration Agency of Social Security
ANSS	Agencia Nacional de Salud Suplementar, National Agency of Supplementary Health
ANSSAL	Administración Nacional de Seguro de Salud, National Health Insurance Agency
CGT	Confederación General del Trabajo, Workers' General Union, Argentina
CGT	Confederação General dos Trabalhadores, Workers' General Union, Brazil
COBAP	Confederação Brasileira de Aposentados e Pensionistas, Brazilian Confederation of Retirees and Pensioners
COFESA	Consejo Federal de Salud, Federal Health Council
CONASS	Conselho Nacional de Secretarias de Saúde, National Council of Health Secretaries
CONASEMS	Conselho Nacional de Secretarias Municipais de Saúde, National Council of Municipal Health Secretaries
CONTAG	Confederação Nacional dos Trabalhadores na Agricultura, National Confederation of Rural Workers in Agriculture
CTA	Central de Trabajadores Argentinos, Argentine Workers' Central
CUT	Central Única dos Trabalhadores, Unified Worker's Central
FAPI	Fundo de Aposentadoria Programada Individual, Individual Pension Funds
FIEL	Fundación de Investigaciones Económicas Latinoamericanas, Latin American Foundation for Economic Research
FS	Força Sindical, Union Strength

GDP	Gross Domestic Product
INAMPS	Instituto Nacional de Assistencia Médica da Previdencia Social, National Institute of Medical Care and Social Security
IPEA	Instituto de Pêquisa Económica Aplicada, Institute for Applied Economic Research
IDB	Inter-American Development Bank
ILO	International Labor Organization
MTA	Movimiento de Trabajadores Argentinos, Argentine Workers' Movement
NOB	Norma Operacional Básica, Basic Operational Norms
OS	Obras Sociais, Social insurance health care providers
PAMI	Instituto Nacional de Servicios Sociales para Jubilados y Pensionados, National Institute of Social Services for Pensioners and Retired Workers
PAYGO	Pay-as-you-go
PDT	Partido Democrático Trabalhista, Worker's Democratic Party
PJ	Partido Justicialista, Peronist Party
PMDB	Partido do Movimento Democrático Brasileiro, Brazilian Party of the Democratic Movement
PMO	Programa Médico Obrigatorio, Mandatory Medical Program
PFL	Partido da Frente Liberal, Liberal Front
PRN	Partido da Reconstrução Nacional, National Reconstruction Party
PSB	Partido Socialista Brasileiro, Brazilian Socialist Party
PSDB	Partido da Social Democracia Brasileira, Brazilian Social Democratic Party
PT	Partido dos Trabalhadores, Worker's Party
PTB	Partido Trabalhista Brasileiro, Brazilian Labor Party
PPB	Partido Progressista Brasileiro, Brazilian Progressive Party
RGPS	Regime Geral de Previdência Social, General Regime of Social Security
RPPS	Regime Propio de Previdência Social, Regime of Social Security of Public Servants

RPC	Regime de Previdência Complementar, General Complementary Regime of Social Security
SUS	Sistema Único de Saúde, Unified Health System
UCR	Unión Cívica Radical, Radical Party
UIA	Unión Industrial Argentina, Argentine Industrial Union
UOM	Unión Obrera Metalúrgica, Metalworker's Union

INTRODUCTION

What is the effect of organized labor and other civil society groups on social policy? What are the mechanisms through which these groups influence long-term and contextualized social policy processes in South America? Studies of welfare states in advanced industrial economies have emphasized the role of the organized working class through their linkages to leftist parties as the main route for change (Stephens 1979; Korpi 1978; Huber and Stephens 2001*b*; Esping-Andersen 1990). Yet statistical analyses of the Latin American region have either excluded the role of the organized labor movement (Huber, Mustillo and Stephens 2008; Avelino, Brown and Hunter 2005) or included it in an index together with left partisanship (Segura-Ubiergo 2007). Nevertheless, it has been argued that Latin American parties are less institutionalized than in the OECD countries. The linkages between the organized civil society and political parties are different (Mainwaring 1999; Roberts 2002; Huber, Mustillo and Stephens 2008) and probably weaker since market-oriented reforms were implemented (Weyland 2004). Therefore, we should not necessarily expect partisanship to be the main promoter of social state development.

The first contribution of this thesis is to test the independent long-term effect of unions on social policy, particularly during the period between the return of democracy and recent years. The second contribution of this work is to show how traditional welfare state theories travel to South America to explain differentials in the depth of social policy reforms. Comparative studies on social policy reforms in the region have been mostly qualitative (Cruz-Saco and Mesa-Lago 1998; Mesa-Lago 2008) and have focused on a particular policy area (Brooks 2009; Nelson 2004). The larger aim of this work is to bridge the gap between quantitative and qualitative analysis on the effect of organized labor and other societal groups on social policy, including a pooled time series of nine South American countries and a case study comparison of two countries across two policy areas.

This thesis provides a story of the influence or effect of organized labor and other civil society groups on social policy. Long-term influence of these groups is visible in the levels of expenditure. I assume that the labor movement always supports reforms that increase social spending, independently of whether such reforms benefit only union members or the broader population.¹ More contextualized influence can be seen by looking at the position of such

¹ The assumption is that organized labor supports (or opposes) policies depending on who bears the costs and benefits. If a particular universal policy decreases unions' payoffs, we would expect the labor movement to oppose

groups toward specific reforms, making broad changes more or less possible. I claim that the mechanisms that allow for long-term increases in social spending parallel the factors that explain short-term structural social policy reforms.

I argue that the possibility of broad social policy change is, at least in part, a product of the strength of the organized civil society, and how intensely it supports or opposes changes. Although the content of social policy varies, the effect of strong groups supporting or opposing such changes is the same, either allowing for such changes or blocking such attempts. In other words, in the presence of a strong organized civil society supporting the reform, the occurrence of structural change should always happen; and in the presence of strong relevant organized groups opposing the reform, we should never observe structural social policy change.² I define the influence of the organized civil society in three ways: (1) the strength of the labor movement; (2) how intensely the organized labor supports or opposes the reforms; and (3) how strongly other relevant civil society groups support or oppose the reforms. While the statistical analysis will only include the first dimension of this variable, the case study comparison will complement the analysis by including qualitative measures of the other two dimensions.

In advanced industrial democracies, the influence of unions on welfare states is mediated by political parties. While partisan politics shaped the development of welfare states in the expansion period, such effect declined substantially in the retrenchment era (Huber and Stephens 2001a, 1-2).³ In South America, in turn, while the 1980s and 1990s have been decades of contraction, the 2000s opened a new phase of state expansion. This thesis shows that the logics of expansion and retrenchment differ along the lines predicted by this literature, but only for social security spending and pension reforms. Conversely, in other policy areas partisanship ceases to be a significant predictor across time and countries, namely with regard to human capital spending and health reforms.

On the determinants of social security and welfare spending, the regression analysis shows that while partisanship is an irrelevant variable in the retrenchment period, it acquires significance in the expansion era. Accordingly, the case study comparison shows how a labor-based party, namely Peronism in Argentina, partially privatized the pension system in the 1990s while the same party engaged in more expansive policies in the 2000s. Although the outcome is the

such reform thus protecting the self-interest of their own members. Nevertheless, if a particular reform benefits both insiders and outsiders, then unions would support that universal policy reform. The latter is the example of the recent pension reforms in Argentina that contains non-contributory pensions and a moratorium for those workers who had reached the retirement age but do not reach a certain amount of pension benefits. For this complexity, I do not assume a clear direction in the universal-stratification continuum on the types of reforms supported by unions.

² My assumption here is that, in the 1990s, governments aimed to undertake structural reforms and they did so every time they had the opportunity. In the 2000s, those reforms had to be corrected or completed; and therefore every time governments had the opportunity to enact structural reforms they took such opportunity.

³ I thank Emanuel Coman for suggesting that I look into this distinction in Latin America.

same, namely structural reforms in both time periods, unions presented a stronger position in the 1990s than in 2008. While the unions had to be convinced about the necessity of privatizing the system (Murillo 2001, 3) no “convincing process” was needed in 2008. Therefore, the reform process took four years in the first period and only two weeks in the second. In Brazil, the failed attempts at structurally reforming the pension system also follow partisan trends only in the expansion era. The heterodox coalition led by the center-left Brazilian Social Democratic Party (PSDB) sought to reform the pension system following the Chilean privatization example in the 1990s. Since the Worker’s Party (PT) is in power at the turn of the century, attempts at reforming the system have been towards greater universalization. The outcome is the same in both time periods: a lack of structural reforms due to the absence of strong groups in society lobbying for a reform of the system and the presence of a strong and unified discourse supporting the status quo. The position of strong unions and strong ties between parties and unions seem crucial to understand the existence of structural reforms in one case (Argentina) and not the other (Brazil).

Nevertheless, the analysis of human capital spending and health reforms challenges the centrality of partisanship to understanding the effect of unions and other organized groups on social policy. In the statistical analysis, the coefficients associated with partisanship are insignificant and thus do not explain changes in spending on human capital across time in South American countries. In the case study comparison, the ideology of the political party and their linkages to organized labor will not be sufficient explanations to understand why Brazil could structurally reform its health system in 1988 and Argentina had mostly continuation within its three-pillared system. Additionally, universalist-oriented structural reforms in Brazil were carried out by a center-right coalition. In Argentina, the labor-based Peronist party only marginally reformed the health system in the 1990s towards state retrenchment and in the 2000s the government did not attempt to make any major reform of the system. In both Brazil and Argentina, the ideology and party-union linkages could not have foretold the reforms (or lack thereof) that would come. It was the presence of a strong reformist group in Brazil (the Sanitaristas) and the opposition of strong unions in Argentina what determined the existence or absence of structural reforms.

This thesis is divided into six sections. The first section discusses the literature that informs this study, as well as my main theory and hypotheses. In the second section, I analyze - with pooled time series data that includes nine South American countries from 1980 to 2007- the determinants of changes in the levels of social spending. The statistical analysis will be useful for testing the effects of the strength of the labor movement, the partisan balance in the lower house, the concentration of political power and the cumulative years of democracy on health and education, and social security and welfare expenditures as a percentage of GDP. In the third

section, the comparative case study of pension and healthcare sectors in Brazil and Argentina will characterize the *existence of structural reforms* since the late 1980s to the present. Fourth, I discuss how the strength and opposition of the organized civil society has determined the existence (or lack thereof) of structural reforms in these sectors. This section will determine the causal mechanisms that support the correlations found in the statistical analysis. The fifth section will discuss alternative explanations. Finally, the conclusion will reflect on the implications of my findings for the analysis of social policy in South America, as well as identify areas where future research is needed.

THEORETICAL PERSPECTIVES AND HYPOTHESES

LITERATURE REVIEW

The puzzle over the effect of organized labor and other groups at the level of civil society on social policy includes three related questions that will guide this section: Where have structural reforms taken place? What groups have been the drivers of reforms? What other factors matter? Different authors have categorized reforms in Latin America in the health and pension sectors during the neoliberal reforms of the 1980s-1990s. Meanwhile, competing and complementary explanations for social policy change and changes in social expenditure include power resources theory, analysis focused on the concentration of power, and the effect of the processes of democracy and globalization.

While most of the comparative studies have either categorized pension reforms (Brooks 2009; Matijascic and Kay 2008) or health care reforms (Nelson 2004); others have coded both sectors using different criteria for each of the systems (Cruz-Saco and Mesa-Lago 1998; Mesa-Lago 2008). The present analysis builds from these categorizations and from individual case studies (Alonso 2000; Arretche 2004; Draibe 2002; Fleury 2009; Isuani 2008; Lloyd-Sherlock 2004; Matijascic and Kay 2008; Piola and Vianna 2009; Torres 2004) and seeks to develop a coding criteria that can be applied to reforms across sectors since the return of democracy to the present. In particular, scholars have differed on the ways to categorize health and pension reforms in Brazil and Argentina for the neoliberal period. While Brooks (2009) is in the minority considering that *both* Brazil and Argentina structurally reformed their pension systems in the 1990s; Cruz-Saco (1998), Madrid (2003) and Mesa-Lago (2008) evaluate only Argentinean's pension reform as structural. Accordingly, Madrid (2003) defines the Brazilian case as an "aborted" reform and Matijascic and Kay (2008, 304) define pension changes in Brazil as "a process of continuing reform" towards gradual universalization and parametric reform within the PAYGO public sys-

tem. For the classification of health reform, Nelson (2004) considers Brazilian reform as broad and comprehensive, and Argentinean reform as narrow and piecemeal. Accordingly, Cruz-Saco (1998) considers the health reform in Brazil, and not the Argentinean, in the 1990s as structural. Contrarily, Falleti (forthcoming, 188) considers the reform in Brazil as a gradual process that started in the authoritarian context of the 1970s and was only codified in 1988.

On the determinants of processes of change in capitalist societies, power resources theory has been most successful. The original versions of the theory focus on relative differences in the distribution of power resources and the role of class for explaining societal institutions and the chances of success in the distributive conflict (Stephens 1979; Korpi 1978, 24,50). Therefore, the welfare state is the democratic attempt to influence the distribution of resources (Korpi 1998, viii-x). In this context, the organized working class is the main agent of change represented by leftist and Christian Democratic parties that expand the welfare state once in power (Stephens 1979; Huber and Stephens 2001*a*; Esping-Andersen 1990; Korpi 1978, 319-323). The more recent version of the theory, namely power constellations theory, incorporates gender as a basis of mobilization (Huber and Stephens 2001*a*, 9-13, 17-32). In other words, increase in women's labor force participation facilitates mobilization and, particularly when these groups find allies in social democratic governments, effective translation of their demands on social policy. In this way, this framework is flexible to the incorporation of other groups at the level of society besides from traditional organized labor.

The argument that the ideological position of political parties plays the most important role through the linkages to organized labor in determining the character of social policy has been supported by previous analysis (Stephens 1979; Huber, Ragin and Stephens 1993; Huber and Stephens 2001*a*). Huber and Stephens (2001*a*, 28-32) define the long-term effect of partisanship on social policy as "ratchet effect". Following this concept, partisan government affects social policy by providing broad entitlements in the expansion period that, in turn, become popular. In the retrenchment era, nevertheless, the effect of partisan government is weakened, both because the right is constrained by such popularity and the left faces fiscal constraints. Most of these theories have been developed and tested in Europe, and only the most recent works (Huber, Mustillo and Stephens 2008; Pribble 2008) have tested these hypotheses for the Latin American cases through the inclusion of a partisanship variable. When testing power resources theory in the Latin American context, the results are less stable but seem to follow a modified version of the so-called ratchet effect. On the one hand, Huber, Mustillo and Stephens (2008) find that partisanship is not a significant predictor of social spending in the 1970-2000 period. The lower effect of partisan government in the Latin American context responds to the weakness of leftist parties in the formative period of social security systems and therefore the inheritance

of Bismarckian social states (2008, 433-434). In addition, previous studies have noted that left parties have engaged in non progressive social policies (Madrid 2003; Kaufman and Nelson 2004) thus making social policy predictions based on partisanship a difficult enterprise. On the other hand, when including the 2000-2007 period, Huber and Stephens (forthcoming) find that left partisanship is a significant predictor of increases in social expenditure. The authors interpret these results as a product of the left-turn in the region and a favorable economic environment. In addition, they observe that the increase in overall expenditure also implied, based on comparative case studies, changes in the composition of spending towards greater equality.

From the perspective of the unions (Murillo 2001) and the structure of parties (Levitsky 2003), previous qualitative works on the region have shown the relevance of unions and union-government interactions for explaining neoliberal reforms carried out by labor-based parties. Some authors claim that in the late industrializing countries, workers value more the alliance with political parties, thus accepting, for instance, market oriented reforms (Murillo 2001, 197). For others, neoliberal reforms were possible in weakly structured and routinized labor parties that provided the flexibility to replace the weak union-based linkages with personal-based clientelistic networks (Levitsky 2003, 2-3). For Levitsky, organized labor accepted neoliberal reforms in Argentina because of the unions' "longstanding social, political and organizational ties to Peronism" (2003, 224). These frameworks are helpful for pointing out the relevance of the interaction between unions and parties and the ways in which these interactions impacted the neoliberal reforms carried out by labor-based parties. Nevertheless, for a given country, the same labor-based party could enact structural reforms only in particular social policy areas.⁴ Additionally, structural reforms could also be enacted under non labor-based parties' governments.⁵ While one of the effects of neoliberalism was the weakening of unions and political parties, both in terms of participation and political power (Weyland 2004, 145-149), initial analysis on the 2000s show a reversal of this situation. Given the recent left-turn in politics and favorable economic conditions, at least for the case of Argentina, there may be a resurgence of a strong and more independent labor movement (Collier and Etchemendy 2007).

In spite of this qualitative evidence, existent statistical analysis on the determinants of social policy spending in Latin America have either not included the strength of labor movement

⁴ Murillo(2001) differentiates degree of market oriented reforms within countries in five sectors of the economy, namely: automobile, education, electricity, oil, and telecommunications. The author finds that partisan loyalties, leadership competition and union competition are crucial to understanding the union-party linkages and therefore the negotiation towards market oriented reforms.

⁵ For example, the Brazilian health care reform in 1988 was enacted under a congressional alliance of the Democratic Social Party (PDS), not a center-left or labor-based party, with the center-right Liberal Front (PFL) and center Brazilian Party of the Democratic Movement (PMDB). PDS was a continuation of the party that supported the Brazilian dictatorship from 1964, namely National Renewal Alliance Party (ARENA). Following Alcántara Sáez coding, in a scale from left (1) to (10) right, PFL is self identified as 8.29 and PMDB as 6.47 (Alcántara Sáez and Freidenberg 2001, 117-242).

(Huber, Mustillo and Stephens 2008; Avelino, Brown and Hunter 2005), have included it in an index together with left partisanship (Segura-Ubiergo 2007) or have included two measures of labor strength yielding opposite results (Wibbels 2006). The aim of the present analysis is to fill this gap in the literature by showing the ways in which labor strength and other organized groups at the level of society matter, at least in part through their connection with political parties. Therefore, I include an independent measure for the role of the organized civil society both in the statistical analysis and in the case study comparison.

Alternative explanations have tackled the question of the determinants of social policy reforms. Such is the case of institutionalist, democratization and globalization literatures. The institutional perspective - and the level of concentration of power more generally - sheds light on the debate over the opportunity structure that presidents face for implementing their own social policy agenda. Constitutional and partisan concentration of power in the executive branch facilitates social policy change, thus allowing for either drastic cuts or expansion of social spending. The effect of this variable, therefore, depends on the period under analysis. During the 1980s and 1990s, the overall shrinkage of social spending was facilitated by the concentration of political power in the president. Accordingly, the period of expansion of social spending in the 2000s was also facilitated by constitutional and partisan concentration of power. Previous analyses on social spending have included institutional variables in random effects pooled time series (Huber, Mustillo and Stephens 2008) or excluded this variable in fixed effects models which do not allow for non-changing variables within units across time (Segura-Ubiergo 2007). Cox and Morgenstern (2001) analyze the Latin American veto game policy process in which, for the most part, the president proposes something and the legislature reacts to such proposals. Although the higher the concentration of constitutional power the easier to enact social policy reforms, the effect of specific electoral laws has shown different results on parties and party systems and therefore different policy outcomes (Morgenstern and Vázquez Delía 2007).

The effect of democracy on government's social spending is an irrelevant category for OECD countries and has shown mixed results in the literature on Latin America. The relevance of this variable has to do with the fact that parties and organized civil society can only be strengthened in a democratic context. While some authors have found no relationship between democracy and overall social spending (Kaufman and Segura-Ubiergo 2001; Segura-Ubiergo 2007) others have found a positive and statistically significant correlation (Huber, Mustillo and Stephens 2008; Avelino, Brown and Hunter 2005; Brown and Hunter 1999). For these studies, democracies respond to voter's pressures more than authoritarianisms (Brown and Hunter 1999; Huber, Mustillo and Stephens 2008) and regime type is "more influential in determining which constraints matter" (Brown and Hunter 1999, 779). To quantify the dynamics in this variable,

Huber, Mustillo and Stephens (2008) measured the cumulative record of democracy, namely the quantity of years that a certain country has been democratic. This study examined the determinants of social spending in a random effect pooled time series for eighteen Latin American and Caribbean countries for the period 1970-2000, finding that democracy mattered in the long run for all components of social spending, namely social security and welfare, health and education.

Explanations based on globalization have offered support for both the expansion and retrenchment of the welfare state. For the advanced industrial economies, since globalization increases poverty and inequality, the newly-excluded will pressure the state for compensation and therefore the State will respond expanding protection to these groups. In Latin America, empirical analysis has shown mixed results. Integration to the world economy has produced, on the one hand, an overall decrease in social spending particularly in moments of economic crisis and consequent stabilization policies (Wibbels 2006). On the other hand, trade openness has motivated overall increase in aggregate social spending as a result of a significant increase in spending on human capital (Avelino, Brown and Hunter 2005). Disaggregating the dependent variable shows that globalization negatively affects social security spending (mainly financed through payroll taxes) but not necessarily spending on human capital, namely health and education (Kaufman and Segura-Ubiergo 2001; Segura-Ubiergo 2007; Wibbels 2006). Yet, others have found that more open markets increase both education and social security expenditures (Avelino, Brown and Hunter 2005). Overall, the inconsistency of the findings is related to the different selection of time frames, cases, data, methods and control variables (Huber and Bogliaccini Forthcoming).

THEORY, HYPOTHESES AND MIXED METHODS

The larger aim of this thesis is to understand how organized labor and other civil society groups influence welfare state development. Such influence is manifested through contextualized social policy changes and long-term decisions. I argue that both short and long-term effects follow similar mechanisms and, therefore, the determinants of levels of social expenditure and of extensive social policy reforms are parallel. Combining case study and statistical analyses will allow for testing this argument.

Quantitative data and regression analysis will test whether labor strength is a determinant of long-term levels of social spending and will identify alternative explanations. Nevertheless, acknowledging that changes in social spending show only correlation between variables, the case study comparison will corroborate causal mechanisms in a more contextualized framework, namely identifying particular instances of existence (or non existence) of structural social policy reform. The existence of structural social policy reforms entails a radical transformation from

the status quo. A structural transformation will be defined as a change in the funding and/or management mechanisms. In particular terms: a change in either the method of financing (funded by individuals or revenues, for instance) or in the method of administration (public or private) will entail structural reform.

I argue that one route to structural social policy change depends on the strength of the organized civil society and its level of support (or lack thereof) for the reform. In specific terms: I hypothesize that the interaction effect between, on the one hand, the strength of unions and other interest groups and, on the other hand, the level of opposition/ support of these groups to the reform, is a sufficient condition to account for broad social policy change. In the presence of strong organized civil society supporting the reform, the occurrence of extensive reform should *always* happen, at least within the relevant population of cases. Accordingly, in the presence of strong relevant organized groups opposing the reform, we would *never* observe structural social policy change, at least for the cases under study. Nevertheless, the route for extensive changes can also be produced by other causes, such as strong elite commitment to the reform.⁶ This is to say that the support of relevant organized groups in society is not a necessary condition for structural change (Caramani 2009, 43-45). In short, the possibility of structural social policy reform increases as the support (or lack of opposition) of relevant organized groups in society increases.

The organized civil society variable has three dimensions. First, the strength of the labor movement. Second, the support/opposition of the labor movement to the reforms. Third, the level of support or opposition to the reforms by other relevant groups in the organized civil society. Quantitative data only allows for measuring the first dimension, namely strength of the labor movement, through an index that includes the level of unionization, union concentration and participation in strikes. Qualitative data will indicate whether the unions supported or opposed particular reforms as well as whether other relevant groups intervened in these processes supporting or opposing specific social policy reforms in the health and pension sectors. While the statistical analysis will only build from the first dimension of this variable, the case study comparison will complement the analysis with the two additional dimensions. Each research strategy has its own hypothesis.

In the statistical analysis, long-term influence of organized labor on social policy is visible in the levels of expenditure. I assume that the labor movement always demands more social services, which, in turn, are materialized in increases in social spending (Mesa-Lago 2009, 162). In other words, increases in social expenditure represent policies supported by unions. Therefore,

⁶ For example, the Chilean pension reform in 2008 under the leftist *Concertación* Coalition - which guaranteed universal access to pensions - did not include a strong organized civil society pressuring for such reform. The position of the organized labor, in this case, was mostly irrelevant given its weakness.

Hypothesis 1: Social spending increases as the strength of the organized labor movement increases.

In the qualitative analysis, the contextualized effect of organized labor and other civil society groups is dependent upon their strength and position to a particular reform.

Hypothesis 2: A strong organized civil society opposing (or supporting) a reform, will hinder (or enhance) the opportunity for structural social policy reform, respectively.

I seek to establish a sufficiency condition in the qualitative analysis by including both positive cases, namely structural reforms, and negative cases, namely non-existence of structural reforms (Caramani 2009; King, Keohane and Verba 1994, 20). The sample in the case study comparison is on two levels: across countries in a single policy sector and within countries in different social policy sectors. In concrete terms: health in Argentina and Brazil; and pensions in Argentina and Brazil. In each of these four cases I will measure the existence of structural social policy change in a given policy area in a given country since the return of democracy to the present along with changes in the method of financing and/or administering the service. Expanding the number of cases and analyzing instances of reform since the late 1980s to 2008 allows for introducing “variability in structural constraints” and avoiding spurious correlations (Huber and Stephens 2001a, 9).

To establish the comparability of these four cases, I follow Mill’s Method of Difference. This method consists of selecting the most similar cases to control for relevant variables and thus maximizing the variability in the dependent variable and the main independent variable. I can therefore conclude that the circumstances in which the two instances differ is a sufficient cause of the phenomenon (Mill 1872; Caramani 2009, 47). In particular, the case study comparison controls for the factors that were significant in the statistical analysis and in the literature on welfare states more generally. In concrete terms: I test the theory and the results of the statistical analysis in Argentina and Brazil’s health and pension sectors given that a number of variables can be treated as controls. First, both countries have had more than two decades of uninterrupted democracy. Second, they have followed the regional trend from economic neoliberalism in the 1980s to heterodox policies in the 2000s. Third, both cases have been *pioneers* of social security systems in the region and therefore begin at similar starting points (Cruz-Saco and Mesa-Lago 1998, 7). Fourth, both countries have relatively similar levels of social spending and relatively similar levels of welfare state development (Segura-Ubiergo 2007). Fifth, within countries across policy areas, institutional variables are controlled. Finally, Argentina and Brazil’s health and pension sectors have particular coincidences and differences in the values of the dependent variable, namely existence of structural reform, which makes this analysis an

interesting enterprise.

Pension and health sectors have been selected using three criteria. First, they have existed before the democratic period and thus allow me to trace reforms across time. Second, together both sectors are the most important part of total social expenditure. Finally, they extensively illustrate social insurance schemes against life-cycle risks, which include sickness, work-related injury, disability, retirement and death and therefore have a considerable impact on the lives and well being of the most vulnerable sectors of society (Weyland 1996, 13).

Combining methods will allow for tackling the effect of organized groups at the level of society on social policy, while overcoming the limitations of each approach (Ragin 1987, 67-84). The statistical analysis will allow for enhancing external validity and will also aid the discussion of alternative explanations that will be included as controls in the case study comparison. The case study comparison, in turn, will corroborate the findings of the quantitative analysis and focus on the causal mechanisms that lead to such results (Ragin 1987).

Before moving to the empirical analysis, two caveats are in order. First, in both the statistical and the case study comparison analysis, I aim to measure the effect of organized civil society on social policy in both directions, namely privatization in the 1980s-1990s and more public involvement in the 2000s. Although increases in expenditure do not imply reforms towards a more social democratic or universalistic welfare state, more universalistic reforms generally imply more spending.⁷ Accordingly, in the case study comparison, I will analyze changes in the funding and administering mechanism as well as changes in stratification, which also tackle direction of reform. In general terms, a shift in the funding mechanisms from contributions to general revenues, in the administrative mechanisms from private to public administration, and decreases in stratification mean a more “social democratic” direction of reform.⁸ Second, previous analysis have used interest-based approaches to understand why unions respond differently to similar threats both in advanced capitalist democracies (Golden 1997) and in Latin America (Murillo 2001). The present paper does not focus on such *causes* of support but simply on the *effect* of the support or opposition of organized labor and other societal groups on social policy both in the long-run and in a contextualized setting.

⁷ This is true unless the government is able to reallocate spending from more privileged groups, which is politically very difficult.

⁸ From a personal normative point of view, universalistic reforms are preferable to reforms that increase stratification. Nevertheless, given that this work only analyzes the occurrence or not of structural reforms, the qualification of the nature of such reforms does not affect the mechanisms of the argument.

MEASURING CONCEPTS AND THE STATISTICAL MODEL

The sample for the statistical analysis is most of the South American countries, namely Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela.⁹ The dataset includes an unbalanced panel at the national level from 1980 to 2007. I take the year 1980 as the cut-off because at some point between 1980 and 1990 all the countries in my dataset became democracies. I am interested in a process that only takes place in a democratic context, for which reason the exclusion of authoritarian governments seems sensible.¹⁰ The analysis of 9 countries along 27 years gives me a maximum of 243 observations. The measurement of the dependent variable was available for a minimum of 16 and a maximum of 27 observations per country for the analyzed period.

Given that the model includes both time-variant variables within countries (such as legislative partisan balance) as well as rarely-changing variables within countries (such as constitutional powers in the hands of the executive), I decided to apply a statistical model that deals with this kind of data at the same time that tackles the problem of heterogeneity in the dependent variable, a particularly serious problem in time series cross sectional data (Stimson 1985). Mundlak (1978), first, and then Bartels (2009) develop a modeling framework that is presented as a compromise between random and fixed effect models, for which reason Bartels calls it a “unified” approach.¹¹ The author presents this model as a way of differentiating within and between unit effects, accounting for unit-level unobserved heterogeneity through a random intercept, and allowing for the inclusion of non-changing variables across time in a single unit. In this model we first calculate within and between unit transformations of variables that vary across both dimensions.¹² The second step is to run a random effects model including both within and between unit coefficients of the changing variables across panels and time, and non changing variables across time, while the error is partitioned into a within and a between cluster component. The within effect of the independent variables, therefore, should be uncorrelated with the between error.

Given that there are theoretical reasons to believe that there is some trend in the data, I also run the model using Prais Winsten estimators that correct for first order auto-correlation,

⁹ Paraguay was dropped from the dataset due to complete lack of data in one of the independent variables.

¹⁰ The countries only get into the dataset after the transition to democracy.

¹¹ I thank Jon Kropko for showing me the relevance of this model for the question I am asking (Kropko 2010). The appropriate application of it remains my own responsibility.

¹² The between units effect is the average value of the variable over time for each country, calculated through: $X_i^B = \bar{X}_i = \frac{\sum_{t=1}^T X_{it}}{T_i}$. The within unit effect centers the data around its mean and is the difference between that variable and the between variable. In this way, it removes the average differences between countries, calculated through: $X_{it}^W = X_{it} - X_i^B$.

as recommended by Beck and Katz (1995).¹³ To account for the clustered nature of the data, I also run the model using robust standard errors.¹⁴ I consider this is a dynamic model in that it takes time for particular variables - such as partisan balance in Congress, seat share of the party of the executive and GDP per capita - to impact the present budget and thus the following year's effective social policy spending. Therefore, I lag the within unit part of these variables. Finally, I do not include a lagged dependent variable since that would suppress the power of other significant independent variables (Achen 2000).¹⁵

MEASURES OF SOCIAL SPENDING AND THE INDEPENDENT VARIABLES

The dependent variable, namely Social Spending, is measured through health and education spending as a percentage of GDP and social security and welfare spending as a percentage of GDP. The data is taken from Huber et. al. (2008*b*) dataset updated in 2010. These variables were originally compiled using values from four spending series, one IMF series and three Cepal series.¹⁶ Disaggregating the dependent variable in two components follows the claim that social spending has a different effect on poverty reduction depending on the type of spending at place. Huber, Mustillo and Stephens (2008) discuss how social security spending has proven regressive in the region because it tends to benefit particular categories of employees and sectors, and is generally tied to formal sector employment. Contrarily, health and education spending is overall progressive, particularly spending on primary and secondary education and public spending on healthcare and nutrition. The choice of level of expenditure as opposed to changes in expenditure follow three theoretical and practical reasons: year to year changes in expenditures are strongly determined by economic cycles and I am interested in entitlements; errors in the original dataset are exaggerated when taking annual change; and finally and most importantly, I am trying to measure long term effects not captured in yearly change (Huber and Stephens 2001*a*, 57-64).

The first independent variable, namely labor strength, is measured through an additive in-

¹³ I test for autocorrelation through Durbin's M test and decide that I cannot reject the Null Hypothesis of no-autocorrelation. I followed three steps to test for autocorrelation: (1) run the regression and save the residuals; (2) regress those residuals on all of the independent variables included in the model in step 1 plus a lagged value of the residual as a regressor; (3) the R^2 of Step 2 times $(n - p)$ is distributed $Chi - 2$ with p degrees of freedom (n is the sample size and p is the number of lags for the residuals in step 2)

¹⁴ In addition, given that some of the variables appear to be skewed, I observed whether the results were dependent upon a few outliers by plotting the residuals against the dependent variable in each model. By looking at the scatter plots, there does not seem to be a problem with influential outliers. To test for multicollinearity, I developed a VIF in Stata. The average VIF is around 9 and the main variables (strength of labor and democracy) have the highest values, with VIFs less than 14. I run Breusch-Pagan test for heteroskedasticity in Stata and given that $Prob > chi2 = 0.299$, I fail to reject the Null Hypothesis of Homoskedasticity. It is therefore safe to assume non heteroskedasticity.

¹⁵ As Achen shows, lagged dependent variables "bias the substantive coefficients toward negligible values and does artificially inflate the effect of the lagged dependent variable" due to high serial correlation and trending in the exogenous variable (Achen 2000, 4:21).

¹⁶ The criteria for selecting between social spending starts with IMF, then Cepal, followed by Cominetti and finally Social Panorama. For a more extensive explanation on the selection and coding see Huber et al. (2008*b*) codebook

dex that ranges from -0.44 and 11.34 of the following standardized data: 1) the proportion of workforce organized into unions taken from Huber et. al. (2008*b*) based on Roberts (1997) estimates;¹⁷ 2) the quantity of strikes and lockouts in a given year taken from Huber et. al. (2008*b*);¹⁸ 3) the quantity of workers involved in strikes and lockouts in a given year taken from Huber et. al. (2008*b*) and divided by the economically active population as measured by ILO;¹⁹ and 4) Union concentration taken from Roberts (2005).²⁰ This index needs further discussion.²¹

The second independent variable, the legislative partisan balance, is measured using Huber et. al. (2008*a*) dataset which bases its categories on Michael Coppedge’s Classification of Latin American Political Parties (1997).²² The classification includes two dimensions and a residual dimension. First, there is a left-right ideological spectrum regarding class appeal and focus on growth and redistribution. Second, there is a religious dimension included through the categories Secular and Christian. This dimension contains the presence of religious appeals and programs. The third dimension of this variable includes three residual categories, namely: personalist, other

¹⁷ Roberts (1997) estimates came from U.S. State Department Human Rights Country reports and U.S. Labor Department Foreign Labor Trends reports. Given the quantity of missing data (from 1980 to 2007 there is a minimum of one and maximum of six observations per country) and the lack of variability within countries in the data that is available, this dimension is averaged for the available years and treated as a constant within each country.

¹⁸ In the few cases where there is missing data, an average of two years is computed (the previous and following years and when this is not possible an average of the two closest years is computed). This imputation is only problematic for the case of Argentina where there are a lot of missing points.

¹⁹ In the case of Uruguay, the number of strikes (including paros generales, paros cívicos and conflictos sectoriales) and the number of people involved in the strikes was taken from Rodríguez (2001) based on his own calculations. Imputation followed the same criteria. I imputed the missing data through an average of the number of workers involved in strikes and lockouts throughout the whole period in each country, since there is too much variability and too many missing values to proceed as with the number of strikes.

²⁰ Union Concentration is an index for the estimated percentage of organized workers who were members of unions that belonged to the largest national labor confederation at the end of the ISI era in the 1980s or during the 1990s for nations that were under military rule for most of the 1980s. The index gives a score of 1 where the largest confederation incorporated less than 40 percent of the unionized labor force, 2 where it incorporated between 40 and 70 percent, and 3 where it incorporated more than 70 percent. This index is not standardized. I assumed this is an invariant indicator so I took the same score for a given country across time. I thank Kenneth Roberts for sharing his 2005 compiled figures on trade union density from the U.S. State Department’s annual human rights reports, which includes a section on freedom of association. The results of the index are consistent to Roberts’ ordering of countries for the 1980s-1990s and 2005 except for the case of Chile that appears weaker in my index. This is probably because my measure adds quantity of strikes and workers involved in the index. I am not including Roberts’ measures of labor strength since they only include two data-points per country.

²¹ The scale reliability coefficient of Cronbach’s alpha is 0.26. An initial possible explanation for this poor result is that the index is actually measuring two different concepts, namely: organizational strength of the labor movement (measured through union density and union centralization) and militancy (quantity of strikes and people involved in such strikes). For the European cases, the organizationally strongest labor movements, such as the Nordic countries, have very low militancy given that they do not need to go on strike to influence bargaining outcomes and politics. Nevertheless, when I tried separating these two dimensions, namely union density and concentration, on the one hand, and quantity of strikes and people involved in such strikes, on the other, Cronbach’s alpha went down to 0.18 for density and union concentration measures; and 0.06 for the militancy variables. A possible explanation for this difference is that for South America, there are not such strong labor movements as in Europe where they do not need militancy to influence politics. Therefore, militancy in Latin America is a constitutive part of union strength and is hereby considered as such. Having said that, further research is required to improve this index.

²² The dataset was originally constructed by consulting country experts on the classification of parties that participated in elections for the lower house since 1912. The update of the dataset was conducted through primary and reference materials.

and unknown. Huber and Stephens construct a party index that they call “ideological center of gravity” or “legislative power balance”. This way of measuring assigns higher values to left leaning balance and aggregates the secular and religious categories. The index is constructed as follows: $Right \times 0 + 0.5 \times CenterRight + 1 \times Center + 1.5 \times CenterLeft + 2 \times Left$.²³

The third independent variable is the concentration of political power in the hands of the executive. The present study includes two dimensions of concentration of power, namely constitutional dispersion of power and partisan powers of the president in the lower house. The first is a rarely changing variable named the constitutional concentration of power and the second is the percentage of seats in the lower house of the party of the president taken from Huber et. al (2008a). The constitutional concentration of power is an added standardized index that ranges from -3.04 to 2.44, with higher values implying higher concentration of power in the hands of the executive. The value of each dimension is added to make the overall index.²⁴ This includes: 1) federalism (0 if federal 1 if unitary), 2) type of electoral system (0 PR; 1 modified PR and 2 Majority), 3) type of cameralism (0 for strong bicameralism- symmetrical and incongruent; 1 for weak bicameralism-symmetrical and congruent; 2 for unicameralism - and any variety of asymmetrical bicameralism), 4) referenda (0 for exists and is used, 1 for exists but isn’t used, and 2 for doesn’t exist), 5) judicial review (0 for exists and 1 for does not exist), 6) legislative powers of president (ranges from 0 to 2).²⁵ This data, except for the legislative powers of the president, is included in Huber et.al. (2008a) dataset.²⁶ The data for the missing indicator is based on Inter-American Development Bank “Democracies in Development. Politics and Reform in Latin America” (2007).

The fourth independent variable is the cumulative years of democracy since 1945 and until 2007, coded “0” if non-democracy; “1” if democracy according to Huber et. al (2008a) dichotomous variable that follows Przeworski, Cheibub and Limongi (2000).²⁷

Four control variables have been added. First, to measure the effect of globalization, I

²³ The scale reliability coefficient of Cronbach’s alpha is 0.40. Currently, I find it difficult to explain.

²⁴ The scale reliability coefficient of Cronbach’s alpha is 0.65.

²⁵ Proactive Legislative Power of the Executive includes a sum of Decree and Budget Power; and Reactive Legislative Power of the Executive includes veto, partial veto and exclusive initiative. This data was constructed by Payne, Zovatto, Carrillo Flórez and Zavala (2007) based on UNDP (2004). The values of proactive and reactive power are the normalized scores of indexes with different scales. The proactive power subtotal is computed according to the formula: $\frac{[(decreepowerssubindex \times 4) + (budgetpowerssubindex \times 3)]}{7}$. The reactive power subtotal is computed according to the formula: $\frac{[(averageofpackageandpartialvetosubindexes \times 4) + (exclusiveinitiativesubindex \times 3)]}{7}$. (Payne et al. 2007, 96)

²⁶ Although the data for federalism, type of electoral system, type of cameralism, referenda and judicial review is available only until 2001, I assumed that most of this data has remained unchanged for the following years. This assumption has definite theoretical implications, but overall - except for the case of Venezuela and Bolivia in specific observations - this assumption is consistent with the political trends in these countries, where no major constitutional reform has occurred from 2001 to 2007.

²⁷ Adam Przeworski, Michael E. Alvarez, Jos Antonio Cheibub, and Fernando Limongi, Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990 (Cambridge University Press, 2000), pp. 1-141.

included foreign direct investment as a percentage of gross capital formation, taken from Huber et al (2008b) and based on *the World Bank CD-ROM*, World Development Indicators 2007.²⁸ Second, I have included the percentage of the population between 65 years old or older taken from CEPAL 2009 Social Indicators and Statistics.²⁹ Third, GDP per capita was taken from Penn World Table Version 6.3.³⁰ Fourth, I included a dummy variable for the period 1980s-1990s (1980-1999=1; 2000-2007=0) to control for the dual phase of wide-spread cuts in the 1980s and 1990s and a phase of expansion in the 2000s.

Table 1 summarizes the variables, sources, main measures of dispersion and association and the predicted effect on the dependent variable.

²⁸ Foreign direct investment is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy (Huber et al. 2008b). The imputation for the last two years maintains FDI constant since 2005.

²⁹ Given that the data is presented only every five years, I assumed that there was no change in the percent of old people for the years in the middle. The difference every five years is not very significant so this assumption appears sensible. Originally, I had included the percentage of population from 0-14 years old. Nevertheless, a simple correlation of independent variables showed that variables “young” and “old” were highly collinear (.85) for which reason I decided to drop one of them since they capture the same concept, namely logic of industrialism or the convergence in the development of social structures and institutions (Korpi 1978, 13-14)

³⁰ Real Gross Domestic Product per capita and components for 1996 are obtained from an aggregation using price parities and domestic currency expenditures for consumption, investment and government of August 2001 vintage. See Alan Heston, Robert Summers and Bettina Aten, Penn World Table Version 6.3, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, August 2009.

Table 1: Variable Description and Expected Effect on the Dependent Variable

Variable	Source	Mean	Min	Max	Std Dev	Edu Health	Soc Sec
Dependent Variables							
Gov expenditure on health and edu (% GDP)	Huber et al. (2008 <i>b</i>)	5.51	1.30	10.30	2.01		
Gov expenditure on soc sec and welfare (% GDP)	Huber et al. (2008 <i>b</i>)	5.89	0.10	16.80	4.07		
Independent Variable							
Strength of labor movement	Index based on Huber et al. (2008 <i>b</i>), Roberts (1997)	2.33	-0.44	11.34	2.30	+	+
Competing Explanations							
Legislative Partisan Balance	Huber et al. (2008 <i>b</i>) from Coppedge (1997)	0.64	0.00	1.81	0.38	+	+/-
Constitutional concentration of power	Index based on Huber et al. (2008 <i>a</i>), Payne et al. (2007)	-0.12	-3.04	2.44	1.15	-/+	-/+
Seat share in the lower house of the party of the executive	Huber et al. (2008 <i>a</i>)	0.35	0.00	0.76	0.19	-/+	-/+
Cumulative years of democracy	Coding based on Huber et al. (2008 <i>b</i>)	28.0	0	54	13.1	+	+
Control Variables							
FDI as % of gross capital formation (logged)	Huber et al. (2008 <i>b</i>)	25.0	13.3	31.1	4.75	-/+	-/+
% Population 65+	CEPAL 2009	5.72	3.20	13.5	2.64	-/+	+
GDP per capita	Penn World Tables 6.3	5.72	3.20	13.5	2.64	-/+	+

RESULTS

In accounting for the determinants of social security and welfare spending as a percentage of GDP, we can derive four main results which are consistent in the basic model, Prais Winsten regression and the model with robust standard errors shown in Table 2: (1) when comparing countries, a stronger labor movement will augur increases in spending; (2) democracy is a predictor of higher levels of spending in the long run in a given country; (3) the difference in the concentration of political power between countries decreases social security and welfare spending in both periods; and (4) left partisanship is irrelevant in the retrenchment period and is significant in the expansion period, at least for two of the three models.

Following the power resources theory, the most consistent result is the significance of the coefficient associated to labor strength. For a given year, a one unit increase in the strength of labor index across countries, results in an average of 0.74 percentage point increase in social security and welfare spending, when all other variables are constant. For a medium sized country

in South America such as Colombia, a 0.74 percentage point increase represents around \$1.8 billion (in an economy with a GDP in PPPs of \$250 billion, Avelino, Brown and Hunter 2005).

Democracy significantly predicts increases in social security and welfare spending within a given country across time. For a given country and when all other variables are constant, one more year of democracy results in an average of 0.17 percent increase in social security and welfare spending as a percentage of GDP. In addition, when comparing countries and at least for two of the three models, partisanship is an irrelevant variable in the retrenchment period of 1980s-1990s. As partisanship moves to the left in the expansion years of 2000-2007, it significantly predicts increases in social security and welfare spending, when all other variables are constant.

Concentration of political power predicts cuts in expenditures in both time periods only across countries. When comparing countries, a one unit increase of the seat share in Congress of the party of the executive in the 1980s-1990s (when the dummy variable takes on the value of 0) decreases social security and welfare spending in an average of roughly 21% when all other variables are constant. A one unit increase in this variable, from 0 to 1, is a situation in which the president's party controls all seats in the lower chamber. Although this situation is very improbable, we can think of it in the following terms: a 10% increase in the seat share of the president's party decreases social security spending in around 2% when all other variables are constant. For the expansion period, namely 2000-2007, the effect of this variable is moderated to 14.23% but the seat share of the party of the executive is still negatively associated with expenditure. Additionally, the constitutional concentration of political power is a significant predictor of decreases in social security and welfare spending as a percentage of GDP. From the regression results we observe that when comparing countries, higher levels of concentration of constitutional power have, on average, resulted on decreases in social security and welfare spending. In other words, stronger presidents have been more successful at welfare state retrenchment. Further research is required.

Table 2: Determinants of Social Security and Welfare Spending (as a percentage of GDP) in South America: 1980-2007. Random Effects, Prais Winsten (PCSE) and Robust Clustered Standard Errors

Variables	Random Effects	Prais Winsten	Robust Clustered
Strength of labor movement (B)	0.74*(0.18)	0.64*(0.31)	0.74^(0.49)
Legislative Partisan Balance (B)	1.82^ (1.16)	1.73 (1.83)	1.83(3.53)
Legislative Partisan Balance (B) x Dummy	1.86(1.43)	-0.31(0.82)	1.86(2.20)
Legislative Partisan Balance (B) 2000-2007 #	3.69* (1.41)	1.43(1.85)	3.69*(2.28)
Constitutional concentration of power (B)	-1.69*(0.18)	-1.70* (0.33)	-1.69*(0.35)
Seat share of the party of the executive (B)	-21.2* (2.35)	-22.1*(4.39)	-21.2* (6.02)
Seat Share of the party of the exec (B) x Dummy	6.97* (2.74)	3.94^(2.17)	6.97*(3.37)
Seat Share of the party of the exec(B)2000-2007#	-14.23 ⁺ (3.0)	-18.15 ⁺ (4.68)	-14.2 ⁺ (7.51)
Democracy (B)	0.08^ (0.05)	0.07(0.08)	0.08(0.10)
FDI (B) (Logged)	0.34* (0.06)	0.37*(0.11)	0.34*(0.09)
Aged Population (B)	0.61* (0.12)	0.73*(0.24)	0.61*(0.35)
Legislative Partisan Balance (W) (Lagged)	0.58(0.67)	0.41(0.52)	0.58(1.24)
Legislative Partisan Balance(W)(Lagged) x Dummy	2.33^(1.25)	-0.33(1.08)	2.33(1.74)
Legislative Partisan Balance(W)(Lagged)2000-07#	2.91* (1.18)	0.07(1.10)	2.91(2.12)
Seat share of the party of the executive(W)(Lagged)	-0.58(1.03)	0.22(0.72)	-0.58(1.41)
Seat Share party of the exec(W)(Lagged) x Dummy	-0.25(1.96)	-1.43(0.33)	-0.25(2.56)
Seat Share party ofthe exec(W)(Lagged) 2000-07#	-0.83(1.63)	-1.21(1.28)	-0.83(1.95)
Democracy (W)	0.17* (0.05)	0.12* (0.04)	0.17* (0.09)
FDI (W) (Logged)	0.01(0.05)	0.02(0.03)	0.01(0.06)
GDP per capita (W) (Lagged)	-0.00 ⁺ (0.00)	-0.00(0.00)	-0.00(0.00)
Aged Population (W)	-0.18(0.64)	0.35(0.38)	-0.18(0.66)
Dummy 1980-1999	-3.88* (1.42)	-1.46 (1.12)	-3.88^ (2.36)
Constant	-4.74* (1.61)	-5.48^(2.99)	-4.74(3.67)
R^2	0.88	0.70	0.88
$R^2(W)$	0.32		0.32
$R^2(B)$	0.94		0.94
		Rho=0.77	

Note: Estimates from a random effects model breaking the predictor into a within effect (W) and a cross sectional between (B) part. Standard errors in parenthesis * $p \leq 0.05$, ^ $p \leq 0.1$, + Significant at $p \leq 0.05$ but opposite to expected sign. N=180 # The coefficients, standard errors and t values for the interaction term in the period 2000-2007 (Dummy =1) have been calculated following (Brambor, Clark and Golder 2005)

We can derive two main conclusions regarding health and education spending as a percentage of GDP as presented in Table 3: (1) the strength of the labor movement determines higher spending on human capital across units; and (2) a longer record of democracy increases spending on human capital across time in a given country, at least in two of the three models. These results follow our expectations and are consistent in significance and sign of the effect.

The strength of the labor movement is again statistically significant and correctly signed in both models. In a given year, a one unit increase in the strength of labor index across countries results in an average of 0.65 percentage point increase in health and education spending, when all other variables are constant. An average South American country in the sample spends around 5.8% of GDP on health and education, for which reason a 0.65% point difference is highly relevant. For the case of Colombia, for instance, a 0.5 percentage point increase represents around \$1.2 billion.

In addition, democracy is a significant predictor of health and education spending as a percentage of GDP within a country across time. In particular, one more year of democracy results in an average of 0.08 percent positive difference of health and education spending as a percentage of GDP when all other variables are held constant. Both the basic model and the Prais Winsten model agree on the magnitude and direction of these results.

Finally, FDI inflows appear positive and significant in the between country comparison across policy areas. These results are consistent with Avelino, Brown and Hunter (2005) in that more open markets increase both education and social security expenditures. Nevertheless, I am only considering the South American cases and a different time frame in comparison to other studies, which are considerable reasons to find different results in the effect of this variable (Huber and Bogliaccini Forthcoming). Moreover, the percentage of elderly in the populations is also significant and correctly signed across policy areas. In other words, as the percentage of elderly increases we should expect decreases in human capital spending and increases in social security and welfare spending. Finally, increases in GDP per capita significantly predict increases in health and education spending, when all other variables are constant.

Table 3: Determinants of Health and Education Spending (as a percentage of GDP) in South America: 1980-2007. Random Effects, Prais Winsten (PCSE) and Robust Clustered Standard Errors

Variables	Random Effects	Prais Winsten	Robust Clustered
Strength of labor movement (B)	0.65* (0.13)	0.71* (0.21)	0.65* (0.06)
Legislative Partisan Balance (B)	0.60 (0.79)	0.58 (1.18)	0.60 (0.64)
Legislative Partisan Balance (B) x Dummy	-0.24 (1.05)	-0.89(1.01)	-0.24 (1.96)
Legislative Partisan Balance (B) 2000-2007 #	0.36 (1.04)	-0.31(1.30)	0.36 (1.40)
Constitutional concentration of power (B)	-0.10 (0.13)	-0.13(0.23)	-0.10 (0.09)
Seat share of the party of the executive (B)	-0.96 (1.72)	-2.41(3.03)	-0.96 (1.83)
Seat Share of the party of the exec (B) x Dummy	3.92 (2.04)	2.78(2.44)	3.92 (4.03)
Seat Share of the party of the exec(B)2000-2007#	2.96 (2.26)	0.36 (3.45)	2.96 (2.97)
Democracy (B)	0.02 (0.03)	0.04 (0.04)	0.02 (0.02)
FDI (B) (Logged)	0.35* (0.04)	0.34* (0.04)	0.35* (0.02)
Aged Population (B)	-0.27* (0.09)	-0.30* (0.13)	-0.27* (0.08)
Legislative Partisan Balance (W) (Lagged)	0.23 (0.41)	-0.18 (0.38)	0.22 (0.65)
Legislative Partisan Balance(W)(Lagged) x Dummy	-0.01 (0.93)	-0.72 (0.90)	-0.01 (1.26)
Legislative Partisan Balance(W)(Lagged)2000-07#	0.21 (0.86)	-0.90 (0.92)	0.21 (1.35)
Seat share of the party of the executive(W)(Lagged)	0.15 (0.74)	0.65 (0.59)	0.15 (0.91)
Seat Share party of the exec(W)(Lagged) x Dummy	-0.82 (1.43)	-0.89 (1.12)	-0.82 (1.33)
Seat Share party of the exec(W)(Lagged) 2000-07#	-0.67 (1.20)	-0.24 (0.95)	-0.67 (0.93)
Democracy (W)	0.08* (0.03)	0.07* (0.04)	0.08 (0.10)
FDI (W) (Logged)	0.03 (0.03)	0.02 (0.03)	0.03 (0.06)
GDP per capita (W) (Lagged)	0.00* (0.00)	0.00* (0.00)	0.00^ (0.00)
Aged Population (W)	-1.33* (0.46)	-0.66^ (0.34)	-1.33 (1.03)
Dummy 1980-1999	-0.11 (1.06)	0.21 (1.19)	-0.11 (2.31)
Constant	-3.63* (0.99)	-3.51* (1.16)	-3.63* (0.78)
R^2	0.72	0.54	0.72
$R^2(W)$	0.33		0.33
$R^2(B)$	0.99		0.99
		Rho=0.67	

Note: Estimates from a random effects model breaking the predictor into a within effect (W) and a cross sectional between (B) part. Standard errors in parenthesis * $p \leq 0.05$, ^ $p \leq 0.1$, + Significant at $p \leq 0.05$ but opposite to expected sign. N=193 # The coefficients, standard errors and t values for the interaction term in the period 2000-2007 (Dummy =1) have been calculated following (Brambor, Clark and Golder 2005)

As the next section will show, the case study comparison and the statistical analysis follow parallel lines. First, high power concentration is only significant to predict social security and welfare spending, and is not a relevant variable in accounting for spending on human capital. In the case study comparison, formal institutions and partisan powers of the president fall short in accounting for health reforms in Argentina and Brazil. In contexts of high concentration of power, Argentina does not extensively reform its healthcare system and in a context of highly dispersed power Brazil manages to structurally reform its health system. Second, legislative partisan balance is only significant for social security spending as a percentage of GDP during the expansion period. In the case study comparison, the linkages between the Peronist Party and unions, absent in Brazil, contribute to explain structural pension reforms in Argentina and

not in Brazil. In addition, the direction of the reforms follows party lines only in the expansion period, namely: during the retrenchment era, labor-based parties enacted neoliberal reforms and since the 2000s, the Peronist Party in Argentina and the Worker's Party in Brazil are pushing towards greater universalism. Last, but certainly not least, the strength of the labor movement predicts increases in social expenditure across policy areas. The case study comparison will show the mechanisms through which unions, but also other organized social groups at the level of society, effect social policy reform both in the expansion and retrenchment periods.

CASE STUDY COMPARISON. HEALTH AND PENSION REFORMS IN BRAZIL AND ARGENTINA

In this section, I will take a closer look at the presence (or lack thereof) of structural reforms in Brazil and Argentina in the health and pension sectors from the 1980s to 2008. In the previous section, the statistical analysis has been a useful tool to show that the strength of the organized labor movement is a significant predictor of increases in the levels of social spending. The following case study seeks to corroborate the causal mechanisms found in the large-n analysis. What does a structural reform in health and pension sectors entail? What groups have been the drivers or blockers of extensive reforms?

I will present empirical evidence to show that the possibility of structural reform is determined by the strength and level of opposition of the organized civil society. As table 4 shows, the Brazilian pension system and the Argentinean health system could only be marginally reformed due to the strong opposition of civil servants' unions and union run social insurance health providers, respectively. Conversely, pension reforms in Argentina and Brazilian health reform were structural due to either the lack of strong opposition from unions and/or the strong support of other relevant civil society groups.

The dependent variable, namely *Existence of Structural Social Policy Reforms*, is defined as whether the incumbent government radically transforms the *status quo*. I seek to differentiate structural from non-structural reforms, so the dependent variable is categorical. A structural transformation will be defined as a change in the configuration of the funding and/or management mechanisms. Therefore, a change in the composition of one of the following two dimensions will entail a structural reform: 1) method of financing, whether it is a collectively funded method or it is funded fully by individuals (in the case of pensions) and whether it is funded by revenues, individuals or contributions (in the case of health care); and 2) method of administration, namely whether it is publicly or privately managed. Nevertheless, in the absence of structural reform there is generally some degree of modification within the existent system. Two additional indicators contribute to the existence of reforms within the system: 1) level of government administration, namely territorial decentralization versus re-centralization tendencies; and 2) level of stratification (as opposed to universalization) which decreases either through an increase in overall coverage or through restrictions in the higher pensions.³¹

³¹ Excluding changes in the level of government administration and level of stratification as sufficient conditions for existence of structural reforms, follows the fact that most of the South American countries have suffered some degree of reform in these dimensions and therefore it will render the classification futile. I measure the concrete bill that arises from the phase of formal authorization. In other words, the existence or not of structural reforms will be determined entirely through the analysis of the final piece of legislation in comparison with the previous bill. This operationalization means that I will not be measuring, following Kaufman and Nelson (2004, 474) phases, the process by which a reform becomes *part of a policy agenda*, or when a *concrete proposal is designed*, or its

Table 4: Role of Organized Civil Society in Health Care and Pension Reforms in Brazil and Argentina (1988-2008)

Reform	Country (Structural reform)	Strength of Unions	Opposition of Unions	Opposition/ Support of other relevant groups
Pension	Argentina (Yes)	High	Medium(1990s) /Low(2000s)	Low Relevance
	Brazil (No)	Medium	High	Low Relevance
Health	Argentina (No)	High	High	Low Relevance
	Brazil (Yes)	Medium	Low	High Support

The next section will analyze the cases of pension and health care reforms in Brazil and Argentina along the dimensions that define a structural social policy change. Overall, pension reform in Argentina will provide a case of structural change in both the method of administering (from public to partially private and back to the public system) and financing (from a pay-as-you-go to a mixed system and back to a pay-as-you-go). Additionally, health reforms in Brazil will also entail structural changes but only through modifications in the method of financing (from a tripartite to a dual system). Alternatively, health reforms in Argentina and pension reforms in Brazil have only made marginal changes within the existent system.

PENSION REFORMS IN ARGENTINA

From a national and generous pension coverage that dated from the 1940s, the Argentinean pension system was partly privatized in 1993 and nationalized again in 2008. Since 1993 the system was two pillared, including a pay-as-you-go and an individual capitalization fund. Since 2008, the system is back to a one scheme pay-as-you-go. In both instances of reforms, there was a change in the funding and managing sources.

In pursuing the objectives of a free market economic model, and diagnosing the inefficiency of the system,³² pension reform became the highest social policy priority of President Menem's administration in the 1990s. Although the original aim was full privatization of the system, following the Chilean example, the pension system was partly privatized. After the reform,

implementation phase. In particular, I will not be considering the outcome of policy reforms measured as real increase/decrease in coverage, efficiency changes, increase in capital markets and national savings, production of safer pension funds, increase in real pensions or equity improvement (Cruz-Saco and Mesa-Lago 1998, 13-15). This arbitrary narrowing of the definition has to do with parsimony decisions and with the fact that it is too early to evaluate the effect of the most recent reforms.

³² The old system was perceived as inefficient by technicians due to the continued deficits and evasion of contributions. This was accurate since a quarter of the population older than 70 years old by the end of the 1980s was not covered by social security (Brooks 2009, 210). In addition, those who were covered by the system suffered considerable disparities within the provision, the military being among the most privileged groups.

workers could choose whether to contribute to the intergenerational system or to a personal capitalization account. In addition, a new private actor burst in to administer the individual capitalisation funds, namely Administradoras de Fondos de Jubilaciones y Pensiones (AFJPs) or Managed Pension and Retirement Funds.

The reform of the pension system took about two years until a quorum could be reached in the Congress, even when the Peronist government had a majority in the senate and strong plurality in the chamber of deputies. The difficulty faced by this reform in the chambers is explained, first, by the traditional antipathy that the Peronist party has felt toward neoliberal policies; and second, by the difficult task of negotiation with the governors of provinces and swing congressmen aligned with unions (Haggard and Kaufman 2008). The stalemate was overcome when the government accepted a number of concessions that benefited the main actors.³³ One of the main concessions to the unions was that enrolment in the private system was optional. Nevertheless, the government actively engaged in discouraging the public option mainly through lower contribution rates and automatically transferring to the private scheme those workers who failed to choose between the two options, namely private or public.³⁴

When the left segment of the Peronist Party, namely Frente para la Victoria (represented by Néstor Kirchner, first, and then Cristina Fernández) accessed power in 2003, a number of reforms started foretelling the nationalization that would come. From 2003 to 2006, President Kirchner enacted a number of “Decrees of Necessity and Urgency” to implement non contributory pensions. First, a Decree (582/2003) implemented the program *Adulto Mayor Más* in August 2003. This policy extended the system of non-contributive pensions for the elderly (around 500,000 people) through an allocation of \$ 65 per month for those who lacked social security (CELS 2004). Second, the government presented a moratorium for those workers who had reached the retirement age but had limited or no contributions records and could now join a payment plan to pay past contributions while still receiving a pension in the present (Law 25,944). Third, a law established the possibility of retirement for 60 year-old housewives even in the situation of no contributions (Law 26,063).³⁵ Finally, the reform also fostered the

³³ See the Section on the role of unions in the Argentine pension reform process for a description of such concessions.

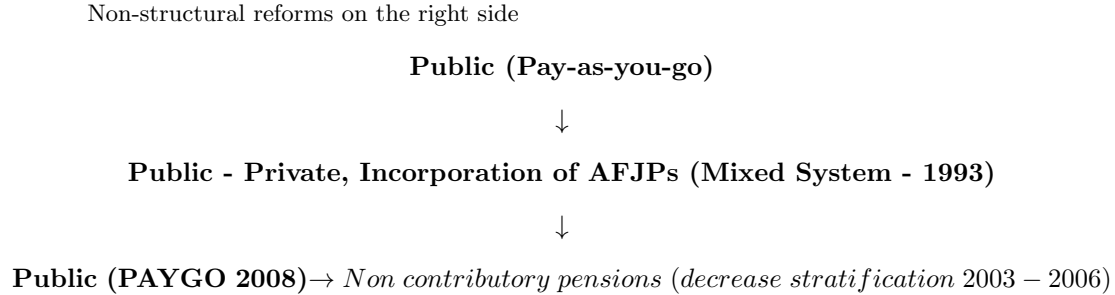
³⁴ By 2002, only 20% of all Argentinean workers, who were enrolled at all, were enrolled in the public pension system; 80% belonged to the private system (Mesa-Lago 2005 as cited by Brooks 2009, 121). Additionally, by 2007 more than 75% of the workers (11.6 million) were enrolled in the private pension regime and only less than 25% (2.4 million) with the public benefit system (SAFJP 2007 as cited by Brooks 2009, 125). In addition, because social security was attached to jobs in the formal market, the most vulnerable sectors were not covered. By the mid-1990s only 63% of economically active population had affiliation with the pension system (Golbert 2000:234 as cited in McGwire 2002, 92) In particular, a big source of inequality was gender-based, given that women's jobs were more precarious, and their incomes and contributions non continuous. Overall, “within a decade of its reform, an institution that had once been among the broadest-reaching, most generous, and most effective pension systems in Latin America had ceased to function as an effective means through which most workers could insure against the risk of poverty in old age” (Brooks 2009, 131)

³⁵ They would be discounted a maximum of 20% of the current pension they receive every month until full

State option for pension, and nearly one million people changed from private to state pension (Cetrángolo and Grushka 2007).³⁶

In November 2008, President Cristina Fernández proposed a total nationalization of private pension funds, thus eliminating individual capitalisation funds administered by AFJPs.³⁷ The presidential proposal took two weeks to be approved in the Lower Chamber and 12 hours in the Upper Chamber. A number of characteristics of the reform are worth mentioning. First, around 9.5 million workers who had individual capitalisation funds with private insurers (AFJPs) were transferred to the PAYGO system administered by the State. The pensions no longer depend on savings but on the average of the last 10 years worked, since the State will not take into account the quantity of money saved by the individuals but the years that the worker had contributed to the AFJP. Second, and this is the most controversial aspect of the reform, the accumulated \$30 billion private funds were transferred to an account controlled by *Anses Administracin Nacional de la Seguridad Social*, Argentina’s social security public administration entity. The government proposed to invest the funds in a “guarantee fund” and in financial assets, including State bonds.³⁸ The reform implied a dual change in the funding mechanism (back to a pay-as-you-go system) and in the managing method (eliminating the private AFJP actor).

Fig. 1: Simplified Model of Pension Reform in Argentina: Method of Administration (and Financing).



contribution was achieved.

³⁶ The public option preference was achieved through an increase from 0.85% to 1.5% of public pillar benefits, a change in new enrolments that would now automatically go to the public pillar and the possibility to return to the public social insurance pension system (Brooks 2009, 131)

³⁷ Honorable Cámara de Diputados de la Nación; November, 6th 2008.

³⁸ To further avoid the funds being used as an adjustment variable in case of a crisis, the government created a committee to administer those guarantee funds, *Comité de Administración de las Inversiones del Fondo de Garantía*, and a commission, *Comisión del Seguimiento del Fondo de Garantía*, that will provide information to the society regarding those funds (Mesa-Lago 2009, 17)

PENSION REFORMS IN BRAZIL

The Brazilian pension system is two-pillared and has been characterized by the absence of extensive reforms. The first pillar is a mandatory pay-as-you-go that provides coverage for private sector workers (General Regime of Social Security, RGPS), and the second includes civil servants and is mostly a pay-as-you-go system (Regime of Social Security of Public Servants, RPPS).³⁹ The RPPS is segmented into separate systems for federal, state and municipal workers, meaning that there is a specific pension system for most levels of government.⁴⁰ Both sectors are mostly funded by contributions and general revenues.

All attempts to design a pension reform following the Chilean privatization initiative have failed (Weyland 2006). Three attempts to reform the social insurance system, in 1991 and 1992 by President Collor, and 1993 by President Itamar Franco, showed the interplay between the different actors involved in Brazilian policy making. Collor's "big project" (*projetao*) and a later intent to reform the constitution did not find support in the chambers and died in committees. Franco's weak government was also unable to advance social security reform. He could only advance a congress proposal to include public employees' generous pension in the more general social security program (Weyland 1996).⁴¹

When Fernando Henrique Cardoso reached power with a majority coalition in Congress, reform towards capitalization seemed to be on track. Nevertheless, most of the legislation introduced by Cardoso faced strong opposition from the main union, namely Central Única dos Trabalhadores, Unified Worker's Central (CUT) and its allies in the opposition, namely Partido dos Trabalhadores, Worker's Party (PT).⁴² During the 1998 international currency crisis, Cardoso did in fact accomplish a number of reforms within the universalized, pay-as-you-go system. After four years of legislative conflict, the Cardoso administration managed to obtain

³⁹ In 2007, the RGPS covered 4.2 million people, of which 85.2% were general pensions, 7% accident related, and 7.8% rural pensions which are, in practice, non contributory (*Anuário Estatístico da Previdência Social/Ministério da Previdência Social* 2007, 19). There is also the Complementary Pension Regime Regime de Previdência Complementar, General Complementary Regime of Social Security (RPC) that is an optional capitalization system that can be incorporated only in the RGPS. There are two options. First, the "closed" system in which each company decides whether they want their employees to complement their pay-as-you-go pensions with individual funds. Additionally, individual workers can choose a private insurer to keep their funds.

⁴⁰ In 2007, the 26 Brazilian States (and its 26 capitals) as well as 1,884 municipalities maintained RPPS for their own public employees. Around 6,514,761 were covered by the RPPS (active, inactive and pensioners) and the "Union" (the Federal government) covered 2,096,209 by the end of 2007. Overall there are more than 8 million people affiliated at the RPPS (*Anuário Estatístico da Previdência Social/Ministério da Previdência Social* 2007, 754)

⁴¹ The main reforms in 1991-1993 dealt with changes in the formula for calculating benefits and ceilings, moving from an overall average of the worker's years of contributions to the average of the last years adjusting for inflation. In terms of ceilings, in 1993 and again in 1998 the government passed a bill that adjusted ceilings to the value of ten minimum salaries.

⁴² Melo (1998) compares administrative, tax and social security reforms and concludes that it was only in the pension area where the government was defeated in eleven rounds of voting. The author cites a government's chief political architect: "the commanding order is less speed and more discussion" ("Sarney aprova medida do governo de priorizar a votacao na área economica", *Gazeta Mercantil*, 29/03/95, p. 8 cited in Melo 1998, 13)

congressional approval for the introduction of an individual programmed retirement fund, FAPI to supplement the public pension of workers in the RGPS who did not have other private pension options. The reform had elements of notional defined contribution in that workers could choose an authorized insurance company to manage their FAPI and employers and employees could contribute periodically with the option to withdraw the funds after ten years (Kay and Kritzer 2001). Nevertheless, this was optional and there were no physical reserves or money deposited in these accounts but the state credited the accounts with an interest rate to convert such sum (adjusted to life expectancy increases) at the moment of retirement (Mesa-Lago 2008, 31-35). Therefore, this reform did not involve a change in the administration nor the financing mechanisms of the overall system.⁴³

The leftist presidency of Luiz Inacio “Lula” da Silva opened a new possibility for pension reform towards a more progressive distribution of resources. From his credentials as an advocate of social justice, Lula’s claims were initially more persuasive and the possibility of structural reform seemed to be on track. Nevertheless, his proposals did not go uncontested and Lula faced strong opposition from civil servants and parties to the left of the PT and no structural reform could be achieved. Nevertheless, since his arrival to office, Lula has brought about a number of changes within the pay-as-you-go system.⁴⁴ First, the establishment of benefit value limits in the RPPS equivalent to the private sector (approximately \$ 800). This was a particularly sensitive issue since it dealt with benefits going to privileged public-sector workers. Second, there has been a modification of age limit and contribution length time.⁴⁵ Third, there has been an end of parity between wages and pensions, meaning that now the benefits are the average of contributions from the entire period of employment (and not based on the last wage job) thus promoting greater equity because it applied to both public servants and civilian workers linked to the General Regime. Finally, Lula’s government has created pension funds for future public servants, which implies that every person entering public administration will have their pension calculated with a ceiling of \$1,300 per month, along with a Complementary Pension Fund that optionally provides a defined contribution plan. In addition, the reform imposes an 11% tax on high income pensions and reduces by 30% any current pension that surpasses the allowed ceiling

⁴³ The reform also guaranteed much higher benefits for individuals who contributed for many years. In this way, Cardoso ended the practice of retirement after thirty-five years of service for men and thirty for women regardless of their age, both for the public and private sector (Huber and Stephens 2000). Overall, the initial intentions of the government to follow the Chilean example were drastically scaled back by the legislature in order to gain the three-fifths support necessary for passage of a constitutional reform bill. The new legislation dealt only with eligibility and benefits within the private sector worker’s fund, leaving the public sector pensions untouched (Haggard and Kaufman 2008, 284)

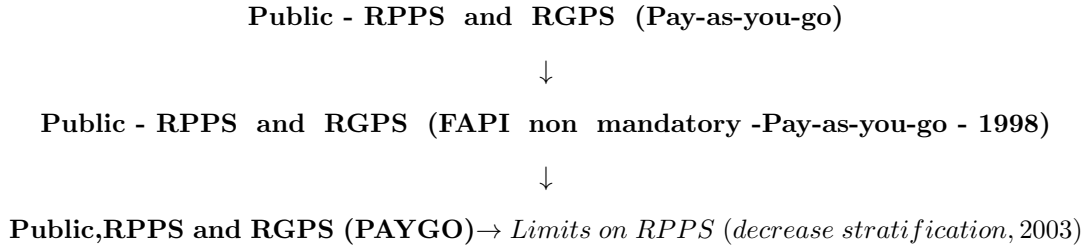
⁴⁴ The following description is taken from (Savoia 2007; Haggard and Kaufman 2008) unless otherwise stated.

⁴⁵ Women can retire at 55 years old or after 30 years of contribution and men can retire at 60 years old and 35 years of contribution. For public servants, they can retire after 20 years of service and the last five in the place from where they retired and they can also retire early at 48 years old for women and 53 for men. Since 2006, each year that a civil servant retires short of the required age will reduce his/her pension up to 5% (Brooks 2009, 146)

(Brooks 2009, 147).

Upon evaluating President Lula’s reforms, Haggard and Kaufman (2008) recognize mainly continuation from the previous administration, and define it as “modest” (Haggard and Kaufman 2008, 284). Alternatively, Brooks (2009) evaluates the reforms as the introduction of a new dimension to Brazil’s social security model, more centered on lower and middle income sectors. Accordingly, Brooks understands that the reforms have been a significant “shift toward greater equity by dramatically (but gradually) curtailing the privileges of public sector workers” (Brooks 2009, 147). In terms of achieving greater equity, Brooks’ (2009) assessments are accurate in that Lula’s reforms of the RPPS are substantial. Nevertheless, they do not involve structural modifications of the actors in charge of financing and administering the service and are therefore not considered a structural reform following this thesis’ definition.

Fig. 2: Simplified Model of Pension Reform in Brazil: Method of Administration (and Financing). Non-structural reforms on the right side



Summary

There is a clear difference between the extent of pension reforms in Argentina and Brazil. On the one hand, Argentina reformed both its financing method (from pay-as-you go to a mixed system and back to pay-as-you go) and its method of administration (from public to including the privately managed AFJPs and back to purely public). On the other hand, Brazil did not reform either dimension, developing changes within the pay-as-you-go system and not including new actors to administer such funds.

HEALTH REFORMS IN ARGENTINA

Argentina’s health system includes three components, namely a publicly-financed sector (administered by provinces and big municipalities), social insurance funds (*obras sociales*, administered by unions)⁴⁶ and a private sector. The contribution to social insurance funds is mandatory

⁴⁶ Every time I refer to *obras sociales* in this paper I am referring to social insurance health care providers administered by unions. The social security through health includes national *obras sociales*, *obras* for retired workers PAMI, provincial *obras sociales* and other special benefits - to the Armed Forces, the Police, National Universities, Judicial Power and Congress (Torres 2004, 134). In 1995, 216 of 281 social insurance health care providers were union run, and affiliated more than 9 million people, including family members. Another six were union-employer administered funds (Murillo 2001, 144-145). In 2004, 201 of the 285 *obras sociales* were controlled

since 1970 for every worker and employer in the formal labour market and the private sector is funded by private companies.⁴⁷ In the 1940s and 1950s the publicly-funded health sector saw impressive developments, approaching that of universal provision of services and by the end of 1980s this sector became increasingly decentralized and under funded.⁴⁸ The three pillars remained intact in the analyzed period and none of the reforms structurally changed the system either by unifying the components in its administration or in its financing mechanisms.

In the 1990s, two areas of health policy introduced considerable reforms: social health insurance schemes were deregulated and public hospitals were decentralized.⁴⁹ On the one hand, the government broke the union monopoly of the 300 union-owned health organizations. Before the reform, workers could not choose to which social insurance health provider to contribute since they had to stay in the *obra social* of their union. After the reform, workers could choose among different unions. The funds were collected (and still are) and administered by the Administración Federal de Ingresos Públicos, Federal Administration of Public Revenue (AFIP)⁵⁰ and monopolistically controlled by the union of each specific branch.⁵¹ The social insurance reform occurred in 1991 with the idea that introducing competition among *obras sociales* would promote efficiency. Nevertheless, unions could delay and scale back the effect of the reform and from 1993 to 1997 the decree had no real effect. Throughout these four years, a number of marginal reforms gradually achieved *obra social* competition: the reduction in employer contribution from 6% to 5% of the wage bill, the fusion of *obras* that did not reach ten thousand affiliates, the creation of a mandatory plan to match benefits - Programa Médico Obligatorio, Mandatory Medical Program (PMO) - and finally the free choice of funds excluding private insurers. The system continued to be a pay-as-you-go (independent of the individual contribution) but changed from being industry based to *obra social* based (Torres 2004, 146).⁵² These measures gained greater support by President De la Rúa's opposition to Peronism coalition government, which tried to promote *obra social* competition with private funds in 2000, but a union campaign impeded its

by unions, and the rest included union-employer administered funds, employer's *obras* and others (Torres 2004, 137)

⁴⁷ The number of private companies involved in this sector is unknown; unofficial estimates range from 138 to 700 and only less than half of those would be organized in Chambers (Alonso 2004, 126)

⁴⁸ McGwire (2002, 98) notes that, from the mid-1980s to the late 1990s, 40% of total health spending went to the private sector (only 7% of the total population had private insurance by the late 1990s), 40% to *Obras Sociales* (48% of population belonged to *Obras Sociales*) and 20% to the public sector (47% of the population depended on public facilities exclusively). The private sector was clearly disproportionately funded.

⁴⁹ The details of the health care reforms in the 1990s are based upon the description of Lloyd-Sherlock (2004) unless otherwise stated.

⁵⁰ The AFIP is the only entity with the ability to sanction debtors (Torres 2004, 197)

⁵¹ From the total revenues, 90% goes to the *obra social* for workers with salaries lower than \$250 approximately; and 85% for higher salaries. The rest (either 10 or 15%) goes to the Redistribution Fund administered by the state (*Superintendencia de Servicios de Salud* cited in Torres 2004, 141)

⁵² Although *obras sociales* were still the main administrators of the funds, they made agreements with pre-paid medicine to better the quality of their services (Torres 2004, 131)

implementation and affiliates could not select a private provider (Mesa-Lago 2009, 259). Finally, the law was totally repealed when Peronists returned to power in 2002 (Haggard and Kaufman 2008).

On the other hand, hospital decentralization was also enacted by decree (578/93) and involved the transfer of responsibility for some public hospitals from the national to the provincial sphere, along with the promotion of self-managed hospitals. The aim of this reform was to complement public funding with social insurance and private funding for the patients that were covered by one of the other two schemes and yet received treatment in the public hospital. Nevertheless, even when a considerable portion of responsibilities was decentralized, there was no portion of federal transfers to provincial government specifically earmarked for healthcare.⁵³

Overall, healthcare reforms in the 1990s implied changes within the system, thus not structurally changing any of the three pillars of the sector. In the 2000s, there were mostly continuities. The main policy changes in the new millennium were enacted in the context of the 2001-2002 Argentinean economic and political crisis and included emergency programs that affected the public sector without structurally reforming any of the three pillars of the system. In particular, two main national emergency programs were enforced by the Ministry of Health: *Plan Remediar* and *Plan Nacer*. In addition, the third relevant national program enacted in this period was the Program on Sexual and Reproductive Health, comprised of the Health and Education Ministries.

First, the *Remediar* Program was originally developed through an IDB loan directed to the primary health care area in the Ministry of Health and aims at the delivery of a first aid kit from the central government to the primary health centers. Today, the *Remediar* Program has become the main health policy in Argentina. Second, *Plan Nacer* was originally funded by the World Bank and it entails transfers from the federal government to the provinces to provide basic health coverage to pregnant women and children under the age of 6.⁵⁴ Finally, the Program on Sexual and Reproductive Health obliges the Ministry of Education to develop sexual and reproductive health educational programs for all schools at every level.

⁵³ In 2002, the Provinces administered 65% of the hospitals and some municipalities managed 35% of the hospitals (PAHO as cited in Mesa-Lago 2008, 250)

⁵⁴ Normatively, 60% of the money is transferred after a province qualifies and the other 40% is conditional upon particular results

Fig. 3: Simplified Model of Health Reforms in Argentina: Method of Administration (and Financing).

Non-structural reforms on the right side

**Public-Private-AFIP/*Obras Sociales* (general revenues -pre paid
plans-contributions)**

↓

Continuity (Tripartite) → *Deregulation and decentralization* (1993)

↓

Continuity (Tripartite) → *Decrease stratification (Emergency Programs – 2001)*

HEALTH REFORMS IN BRAZIL

During the military dictatorship (1964-1985) the Brazilian health system depended almost exclusively on contributions from workers and employers in the formal market. The administration was centralized in the National Institute of Medical Care and Social Security (INAMPS), which was part of the Ministry of Social Assistance, through the social security system. The public tier was administered by the Health Ministry and was in charge of health care for the population outside the labor market. The system was therefore tripartite as in Argentina, including social insurance, public and private schemes. The 1988 democratic Constitution transformed the tripartite to a dual system called Sistema Único de Saúde, Unified Health System (SUS). From a system financed by compulsory contributions, public and private funds, it was transformed to being only financed by a public and a private tier.⁵⁵ Although still publicly managed INAMPS was folded into the Ministry of Health and administered by the National Agency of Supplementary Health (ANSS), funding in the new system ceased to come from workers and employees in a compulsory way. Today, around 90% of the Brazilian population is a user of SUS (and half of them are exclusive users). The reform was, therefore, structural and involved a change in the funding mechanisms only.⁵⁶

After 1988 reform, changes within the SUS were mostly focused on fostering decentraliza-

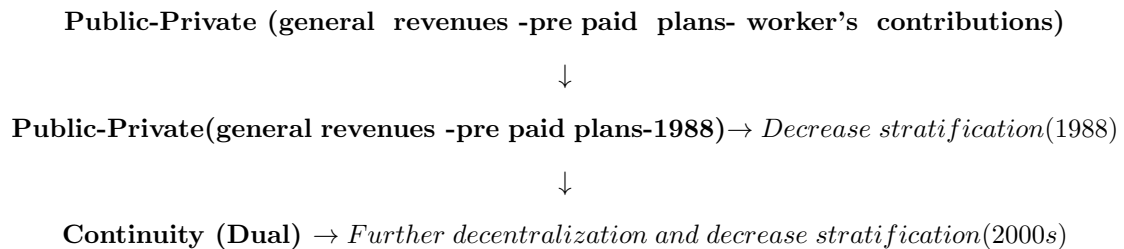
⁵⁵ The funding sources are mainly private and public but divided. First, the SUS is free and universal and is funded by general revenues at the Federal (roughly 50%), State (25%) and Municipal (25%) levels. Second, civil and military government servants have access to the private clinics and are funded by general revenues. Third, the private system is funded by direct out of pocket payments. Finally, social insurance schemes are voluntary and funded by workers and employers in the formal market (Piola and Vianna 2009, 29). Insurance schemes - which cover around 25% of the population (Mesa-Lago 2008, 174) - are called “supplementary”, so either individuals or enterprises have their own voluntary private health insurance plan. Some workers have access to insurance schemes through collective plans that depend on the employer, but others access these insurance schemes by paying directly to these private insurance companies. There is no longer a social insurance since all their facilities were transferred either to SUS or to a voluntary supplementary private sector (Mesa-Lago 2008, 160)

⁵⁶ It should be acknowledged that, in fact, around a quarter of the population does not rely exclusively on the SUS and contributes to private insurance. The quality of the public scheme is considerably lower, especially in primary health care. The original idea was that the private sector would only complement the public sector, but the system is still fragmented among the lower classes demanding primary health care and the richer classes demanding high complexity services (too expensive for the insurance schemes) through the public sector. The aim of complete unification of the pillars did not become a reality.

tion.⁵⁷ During Collor's administration, the SUS delegated healthcare-related administrative responsibilities to the municipalities through Basic Operational Norms (NOB) without delegating the administration of funds. According to these directives, states and municipalities could choose the level of responsibility they wanted to share, and the amount of transfers varied according to the level of responsibility that municipalities held. In particular, the federal government transferred around \$6-10 per month per inhabitant to each municipality to fund primary health care (McGwire 2002, 133). The cumulative effect of decentralization policies generated that a vast majority, 99.6 percent of municipalities, ended up complying with these rules, choosing either high or low-level responsibilities.

Lula's government made substantial reforms in transferring resources to the poorest states for improvement in primary health services. In 2002, almost all of Brazil's 5,560 municipalities had met the regulatory standards for primary care services, and 560 of them received funding to develop all health services in their jurisdiction (Arretche 2004). Additionally, and parallel to Argentina's reforms in the 2000s, the government aimed at decreasing stratification in the quality of the service by promoting two main policies. First, an oral health program to improve the quality of oral care in the municipalities. Second, subsidizing basic medicine in around 5,000 pharmacies, through the program *Farmacia Popular*.

Fig. 4: Simplified Model of Health Reforms in Brazil: Method of Administration (and Financing). Non-structural reforms on the right side



⁵⁷ In rough terms, the municipal level is in charge of primary health, the State is in charge of medium complexity procedures and the Federal level deals with high complexity procedures such as transplants or oncological treatments.

Summary

When comparing policy sectors across countries, health reforms show opposite outcomes to that of the pension system. Argentina is a narrow reformer throughout the period and Brazil a structural reformer in 1988. In addition, both systems have suffered considerable modifications towards decentralization within the existent scheme.

Measurement of Existence of Structural Reforms

Table 5 shows the measurement of the existence of structural reforms along two individually sufficient dimensions and two additional dimensions that show parametric reforms within the existent system. One of the following two reforms needs to be present in order to be considered a structural type: 1) changes in the method of financing (PAYGO versus funded fully by individuals; and funded by revenues, individuals or worker's contributions) and/or 2) changes in the method of administration (public versus private). Additionally, two conditions further contribute to the existence of reforms within the system: 1) changes in the level of government administration (decentralization versus centralization); and 2) changes in the level of stratification (stratification versus universalization).

Pension reform in Argentina presents a case of structural regime change from a pay-as-you-go to a mixed system in the 1990s and back to a pay-as-you-go in 2008. In other words, the Argentine pension system was structurally transformed from a publicly administered to a partially private and back to a public system in the new millennium. In addition, from 2003, the inclusion of non contributory pensions decreased the level of stratification. For the Brazilian case, the reforms have been developed within the pay-as-you-go scheme. Financing and managing mechanisms have been maintained in the PAYGO system and in the public sphere, respectively. In addition, Lula's government has promoted considerable reforms in determining ceilings to the public administration workers' pensions thus reducing the level of stratification.

Table 5: Measurement of the Dependent Variable: Existence of Structural Pension and Health Reforms in Brazil and Argentina (1988-2008)

Area	Country	Reform-Financing	Reform-Administration	Level Stratification / Level of Gov. Adminis-tration	Struc-tural Re-form
Pension	Argentina	Yes (double reform) PAYGO-Mixed-PAYGO	Yes (double reform) Pub-Pub/Priv-Pub	Stratification Decrease (2000)	Yes
	Brazil	No PAYGO (RGPS-RPPS)	No Public	Stratification Decrease (2000)	No
Health	Argentina	No Revenues/PrePaid Plans/ Contributions	No Pub-Priv	Stratification Decrease (2000) Decentralization (1990-2000)	No
	Brazil	Yes Revenues/Pre-Paid Plans/Contributions– Revenues/Pre-Paid Plans	No Pub-Priv	Stratification Decrease (1990-2000) Decentralization (1990-2000)	Yes

In the case of healthcare, the opposite is found. Brazil is a structural reformer while Argentina develops reforms within the existent system. On the one hand, the Brazilian Unified Health System is a drastic change from a tripartite to a dual system. Until the 1988 Constitution, the Brazilian health system was funded by general revenues, pre-paid plans and workers' contributions. After the reform, workers' contributions ceased to be a mandatory funding source. Nevertheless, the administration of the system was still in the hands of the public-private mix since INAMPS was part of the Ministry of Social Assistance. Therefore, the structural reform entailed only a change in the funding mechanisms and not in the actors that administered the service. In addition to these structural reforms, the Brazilian system has suffered a process of gradual universalization and decentralization. On the other hand, the tripartite system in Argentina has not been structurally modified. The system is still financed by revenues, pre-paid plans and contributions and administered by the public and private sectors and unions through *obras sociales*. In addition, a process of constant territorial decentralization has been in place since the 1990s and the most recent emergency programs in the country have potentially decreased the level of stratification by expanding access to basic health services.

ROLE OF ORGANIZED LABOR AND ORGANIZED CIVIL SOCIETY

The previous section showed that while Brazil is a structural health reformer, Argentina is a structural pension reformer. However, Brazil did not enact substantial reforms in the pension sector and Argentina failed to enact extensive reforms in the health sector. The statistical analysis supported the claim that the strength of the labor movement facilitates increases in social spending. I suggested that the mechanisms that account for changes in expenditure should also be relevant for understanding the possibility of structural social policy reforms. It is now time to test this claim. This section seeks to unravel the role of unions and other organized groups for explaining the existence of structural reforms. In what ways does the role of organized civil society determine the extent of pension and health reforms in Brazil and Argentina? Can we explain the variation in reform outcomes by looking at the strength of organized civil society in tandem with its support or opposition to specific reforms? I argue that in contexts of a strong organized civil society supporting the reform, we should observe structural reforms, while in the presence of strong organized groups opposing the reform we should not observe structural social policy change.

I define the *role of the organized civil society* as the support for or opposition to the reform of relevant unions and other organized groups that are affected by the policy changes. It is therefore an interaction between strength of the groups and level of opposition or support. I will differentiate between three kinds of groups: (1) groups that are very strong and eagerly oppose the reforms; (2) strong groups who support the reform; and (3) weak groups who vehemently oppose the reform but for different reasons are not well-organized, and are therefore not strong veto players.

This variable has three dimensions: First, the strength of the labor movement has been measured with quantitative data through the index that includes the level of unionization, union concentration and participation in strikes. Second, the support (or opposition) of the labor movement to the reforms. Third, the level of support (or opposition) to the reforms of other relevant groups in the organized civil society. I will use the labor strength index for the first dimension and the other two dimensions will be measured through tracing the role of the organized civil society in the processes of health and pension reforms in Brazil and Argentina since 1988 (structural health reform in Brazil) to 2008 (structural pension reform in Argentina).

The first dimension builds from quantitative data and transforms the interval “strength of labor movement” variable into an ordinal variable. The following figures show simple correlations

between total social spending as a percentage of GDP in 1991 and 2005 as a function of the strength of the labor movement in 1990 and 2004, respectively.⁵⁸

The following figures are consistent with the idea that, while the Argentinean organized labor movement has traditionally been centralized and strong, labor unions in Brazil are more fragmented. In concrete terms: In the 1980s and 1990s the CGT in Argentina included more than 70 percent of the unionized labor force while in Brazil the CUT incorporated less than 40 percent of the unionized labor force.⁵⁹ ca Sindical FS. The rural workers, formal and informal, are organized under the umbrella of the Confederação Nacional dos Trabalhadores na Agricultura, National Confederation of Rural Workers in Agriculture (CONTAG), formed in 1963 and retained their members after democratization. Strong rivalry and competition has prevailed among them. In Argentina, unions are mostly centralized in CGT and labor regulations establish union monopolies of representation per industry, compulsory collective bargaining, and the right of unions to retain a percent of the wage increase (Murillo 2001, 49). According to Collier and Etchemendy (2007, 368), after 2003 union associational power is materialized in the combination of centralized wage bargaining, monopoly at the shop floor, and the management of the resourceful health funds for workers. Observing the universe of cases, I categorize labor strength as “High” in Argentina and “Medium” in Brazil.

⁵⁸ The selection of the specific years does not affect the index, since the position of countries in the strength of labor index is overall consistent along both 1980-1999 period and 2000-2007.

⁵⁹ Data provided by Roberts based on circa 2005 U.S. State Department’s Annual Human Rights Reports. In Brazil, Central Única dos Trabalhadores, Unified Worker’s Central (CUT), with a close connection with the Worker’s Party, competes against Confederação General dos Trabalhadores (CGT) and Força

Fig. 5: Total Social Spending as a percentage of GDP (year 1992) as a function of Strength of the Labor Movement (year 1991)

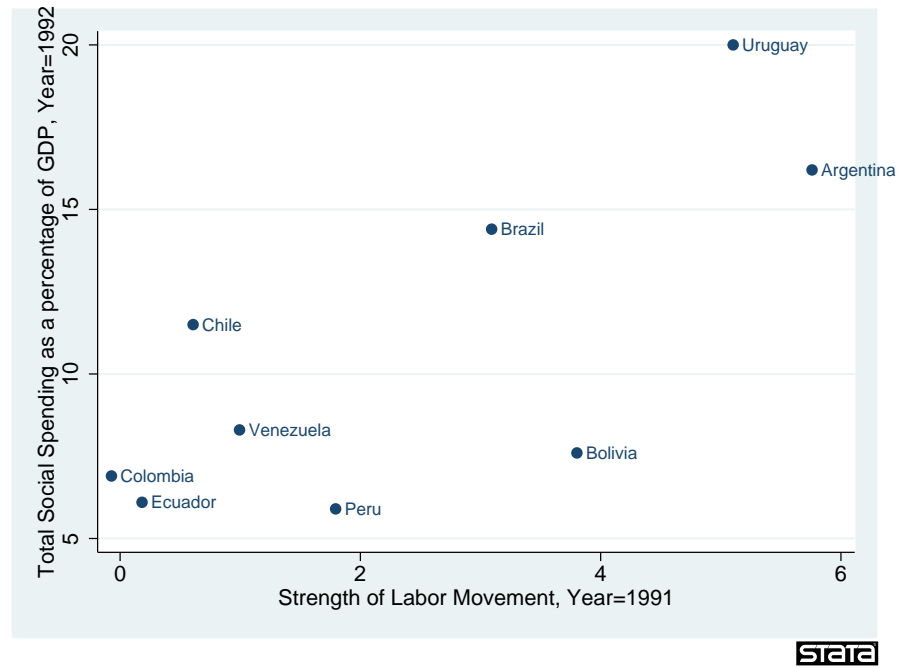
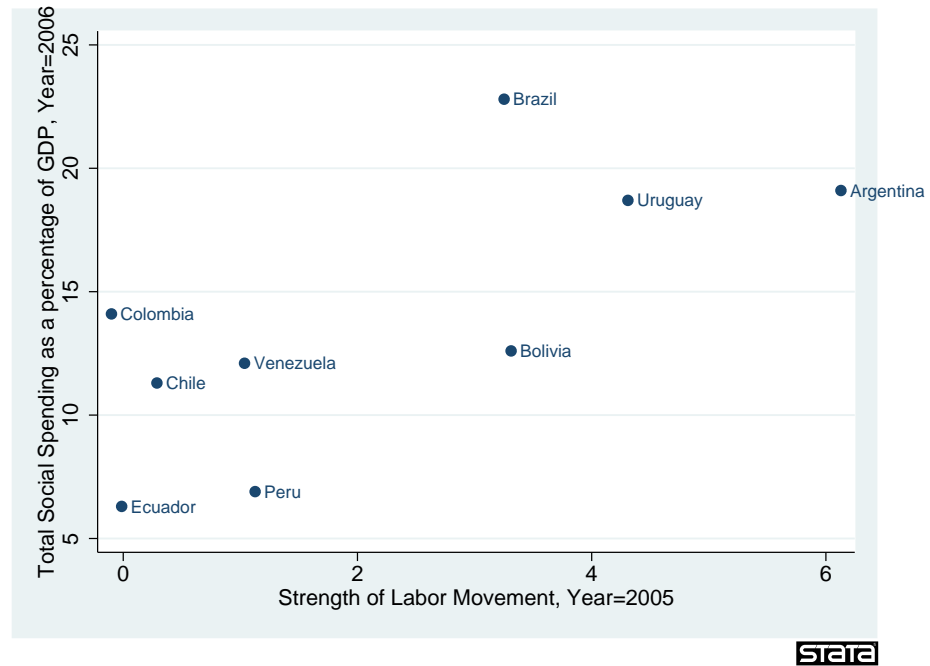


Fig. 6: Total Social Spending as a percentage of GDP (year 2006) as a function of Strength of the Labor Movement (year 2005)



The rest of this section will measure the other two dimensions of this variable, namely, the level of support for or opposition to the reforms of unions and other relevant organized groups in the society. My goal is to trace the relative support of unions and other civil society groups in the process of health and pension sectors in Argentina and Brazil.

ROLE OF ORGANIZED CIVIL SOCIETY IN PENSION REFORMS

Argentina

In Argentina, the position of the labor unions is a key factor for understanding both the possibility of structural pension reforms in the 1990s and in 2008. In the 1990s unions pressured for a mixed and not fully privatized system and in the new millennium they decided to stay in the margins, and the reformed bill was approved in two weeks by both legislative Chambers. On ideological and material grounds, the business community supported a full privatization of the system.⁶⁰ Pensioners' organizations fiercely opposed the reform in the 1990s but their impact shaping policy was limited.

Historical ties between unions and the PJ as well as specific concessions made an initially unpopular reform possible in the 1990s. Previous analyses have shown the relevance of labor-based parties and their linkages to unions for market oriented reforms.⁶¹ The major reforms in Argentina have been enacted by the originally labor-based Peronist Party, supported by the main union, CGT. In concrete terms, when President Menem accessed power, he could count on the whole Peronist machinery, which included unions' control. Accordingly, unions gained a number of concessions in the course of the reform (Madrid 2003, 127). First, the reformers had to accept a mixed and not a fully privatized system (Huber and Stephens 2000). Second, the final law included a compensatory pension that recognized workers' contributions to the public system (Alonso 2000, 107). Third, unions could keep social security contributions that were their main source of finance and they could form private pension fund firms. Fourth, the National Bank (*Banco Nación*) also formed its own fund firm that guaranteed the funds in Argentine pesos and U.S dollars. Finally, President Menem made participation in the private pension system optional. According to Murillo (2001, 144): "After these concessions, the CGT sent its Congress representatives to vote for the reform". Once the negotiation with the unions

⁶⁰ Supporting the reform was much of the business community (especially the financial sector), particularly business associations such as the Unión Industrial Argentina, Argentine Industrial Union (UIA), the Buenos Aires Stock Market, the Asociación de Bancos Argentinos, Argentine Bankers Association (ADEBA) and the Argentine Association of Insurance Companies. This strong support is understood on the basis of both the belief that it would generate financial stability as well as with the expectation of gaining economic benefits.

⁶¹ "When labor based parties implement market oriented reforms, allied union leaders are willing to collaborate - despite the uncertainty and distress of their constituencies - due to their loyalty to long term allies" (Murillo 2001, 17) In Levitsky's terms: "The PJ's links to organized labor and working and lower class voters limited popular sector mobilization against neoliberal reforms, which permitted the Menem government to combine radical reform and democracy in a way that was virtually unparalleled in the region" (Levitsky 2003, 26).

was settled, disciplined majorities in the Chambers allowed for the approval of the reform bill.⁶² The initial opposition of unions to the reform changed after being included in the benefits.⁶³ This attitude was referred to as “business unionism” (Alonso 2000, 125).

The main opposition came from pensioners’ organizations concerned with that the reform would undermine the finances of the existing public pension system which would lead to cut-backs in their benefits (Madrid 2003, 120). These groups formed alliances with opposition unions, and engaged in strategies such as public demonstrations or the collection of signatures to call a plebiscite against the reform.⁶⁴ Nevertheless, their organization was weak and lacked mobilizational resources. In particular, they represented a minority of the pensioners (10% of the 3.7 million) and could not mobilize a significant number of people for their protests (Alonso 2000, 120).⁶⁵ Although they did receive media attention, which had an impact on general public opinion, they could not block or modify the reform (Alonso 2000, 123).

The nationalization of the system in 2008 was passed in the Congress with 70% of support, and only two weeks after President Fernández initiated the process. The lack of strong organized opposition to block the bill (or to modify its content as was the case with Menem’s pension reform) together with a disciplined majority, account for such an expedited process.⁶⁶ The alliance with the major unions of the party in government (PJ) and the weakness of opposition players construct part of the explanation. The unions were not a veto actor in this process since Kirchner rested upon the support of the CGT;⁶⁷ and the reform was not affecting them in

⁶² The Peronist Party enjoyed disciplined majorities throughout this period. In particular, for the lower Chamber, from 1989-1992 PJ has held 56.5% of the seat share, 58.3% in 1992-1995, 55.5% in 1995-1998 and 1998-2001 (Observatorio Electoral). Menem’s alliance with UCeDé increased the support in the lower house by 4.3% of seats (Jones 1997 as cited by Brooks 2009, 251). Although opposition parties rejected the pension reform, having a disciplined majority in the chamber greatly benefited the incumbent president. In a former PJ deputy’s words referring to the pension reform: “The surprising thing is that [party] discipline is maintained many times in spite of what the ruling party legislators say they feel and think. They all make criticisms and agree with the criticisms others make of a project, but at the moment of voting they all raise their hands to vote [in favor of the project]” (interview with González Gaviola in 1996 as cited by Madrid 2003, 129)

⁶³ The peak of CGT opposition came in the early 1990s led by Lorenzo Miguel, from the powerful Unión Obrera Metalúrgica, Metalworker’s Union (UOM). This dissident group came closer to the Central de Trabajadores Argentinos, Argentine Workers’ Central (CTA) to block the reform. Nevertheless, the increase in opposition only increased the concessions that Menem gave the unions (Madrid 2003, 126)

⁶⁴ The umbrella movement of all the retiree organizations, the *Plenario Permanente de Organizaciones de Jubilados*, was closely related to the CTA and Movimiento de Trabajadores Argentinos, Argentine Workers’ Movement (MTA) unions, which were the main opposition to the CGT (Brooks 2009, 255). Therefore, the opposition to the privatization also came from ideological grounds given that most of these organizations’ leaders were former unions’ activists with statist views, as Madrid shows (Madrid 2003, 120)

⁶⁵ The largest demonstration drew less than 20,000 people and pensioners were in the minority (Diario La Nación 1993 as cited in Madrid 2003, 121)

⁶⁶ Kirchner and Fernández dominated the Congress and the Senate since 2003 to 2009. In the lower house they controlled 56.9% of the seats during 2001-2003, and 55.5% in the period 2003-2005 (Observatorio Electoral). From 2007-2009, the *Frente Para la Victoria* alone controlled 128 of 257 seats, meaning almost 50% of the seat share. The recent law to nationalize the country’s private pension system was approved by a great majority of both houses including many Dissident Peronists, who have presented their own lists since 2003 elections (The Economist, “Harvesting Pensions”, November 27 2008)

⁶⁷ As explained by Collier and Etchemendy (2007, 391-392), the alliance between the Kirchner and Fernández’s administrations and the CGT was established mainly through macroeconomic policy, namely a depreciated exchange rate and low interest that strengthened traditional industrial sectors. In addition, particular policies toward industrial conflicts and an active wage policy contributed to this trend. Such government signals had a

any respect given that only one of the ten AFJPs before the nationalization belonged to the unions.⁶⁸ In terms of opposition, neither pensioners' organizations nor the fragmented AFJPs could organize a strong front against the nationalization of the system. The AFJPs had been weakened as actors due to the unfulfilled promises of the mixed pension system, 2001 Argentine crisis and 2008 world financial crisis. In particular, individual pension funds administered by AFJPs had invested 64% of their portfolio in state bonds, which defaulted in 2001 (SAFJP 2002 as cited in Arza 2009, 10, 23).⁶⁹ Re-nationalization, therefore, may actually have "saved" them from future risks. The main opposition to the reform came from the media and the opposition parties. Nevertheless, the AFJPs did not find a voice in the political parties, since none of these was willing to risk supporting a system that had been criticized for not being sustainable in the long run and for not keeping the promise of increasing coverage.⁷⁰

When comparing the pension reform process across time in Argentina, it is clear that the unions presented a stronger position in the 1990s than in 2008. In concrete terms: the concessions to the unions extended the process of reforms for four years in the 1990s, and in 2008 the unions did not intervene in the process, thus making it considerably shorter. The difference is probably both based on material and ideological grounds. Besides from not needing to be compensated in the 2000s (as it was explained above), the unions were ideologically convinced by the re-nationalization of the system. In contrast with the partly privatization process, in which the labor movement had to be convinced by the *need* to enact such changes (Murillo 2001, 3) no persuading process was needed in the re-nationalization stage.

Brazil

In Brazil, all attempts at reforming the pension system have faced the strong opposition of civil servants' organizations built around public sector unions. Their main opposition has been directed at avoiding privatization following the Chilean example in the 1990s and avoiding ceilings on the higher pensions. Pensioners' organizations have also pressured to keep the *status quo* but, as in Argentina, their impact was limited.

Neoliberal proposals advanced by the business community did not find fertile ground in Brazil in the 1990s.⁷¹ Civil servants have been the most articulate and vocal of all potential losers.

positive reaction on the unions supporting the government in key moments such as during 2006 rural business protests.

⁶⁸ The rest belonged to private banks and private insurance companies.

⁶⁹ AFJPs investment was mostly publicly allocated (60% of the total), namely: public bonds (53.3%), guaranteed loans to the national government (2.8%) and treasury bills (3.8%). Equities (9%) and fix-term deposits (8.4%) were the two other significant deposits (Arza 2009, 23)

⁷⁰ The nationalization of pensions was not criticized in and of itself but in the way the funds could be discretionally used by the government.

⁷¹ The Liberal Institute, a think tank supported by corporations, presented privatization initiatives but they

They constitute the highest unionized sector of the economy in Brazil,⁷² and have direct access to the Congress through their alliances with the PT and other groups.⁷³ Since the initial proposals at reforming the system in the late 1980s, the unions participated in Congress debates blocking any attempts at reform. Although there were numerous efforts from the Cardoso administration to negotiate with the main unions, particularly CUT and Força Sindical, they quickly fell apart (Madrid 2003, 153; Melo 1998, 13). After these failures, the unions dedicated all their effort to block the reform.⁷⁴ In addition, not controlling disciplined majorities in the Chambers made reform an even more difficult task.⁷⁵

Although Lula's Party had closer linkages with the CUT, attempts at reforming the pension system also faced strong opposition from the same groups.⁷⁶ These groups organized marches, lobbying activities and media campaigns against the multiple proposals to decrease benefits' inequality. In July 2003, for example, more than 400,000 civil servants participated on a march in Brasilia, calling the legislators who supported the measure "traitors." In a context of a minority government, this increased the cost of support for Lula's proposal in the legislature.⁷⁷ Never-

gradually lost relevance until being finally abandoned (Silva 1998, 121)

⁷² As of 2007, 60% of the workers contributing to the RPPS at the federal level were unionized; 30% at the State level and 30% at the Municipal level. Additionally, 30% of those workers in the private sector who contribute to the RGPS were unionized (Campos 2009, 61)

⁷³ Civil servants' unions articulated their opposition to the reforms around the Associação Nacional dos Auditores Fiscais da Receita Federal do Brasil, National Association for Social Security Auditors (ANFIP) who controlled economic resources with which to organize advertising and lobbying campaigns against the reforms. ANFIP built particularly strong bonds with the Commission of Family and Social Security at the Chamber of Deputies. Unions also articulated with a section of the business community. The main interest of the employers was to decrease as much as possible their contributions to the system; while the unions' main interest was to keep the *status quo*. Both parts committed and the two main business organizations of the country (FIESP and PNBE) presented a joint taxing project with the three main unions (CUT, CGT and Força Sindical), named FIESP/CUT that would improve state funding without touching the pension system (Silva 1998, 127). Finally, sectoral interests of public employees and the private sector employees are also coordinated against the reforms. Although many of the changes affected only the strong organized public sector employees (and the abolition of the early retirement affected the RGPS), most proposals were voted simultaneously and therefore united the opposition (Melo 1998, 14)

⁷⁴ In 1993, for instance, one of the government's proposals to reform received 83 amendments in only 10 days (Silva 1998, 139)

⁷⁵ Collor's party (PRN) in 1990 controlled less than 8% of the seat shares in the lower house and 6% in the Senate. Cardoso's Party (PSDB) controlled around 12% of the seat share in 1994 in the chamber of Deputies and less than 17% in the Senate, 19% in 1998 and less than 14% in 2002 in the lower house (Observatorio Electoral). For this reason, Cardoso initially allied with Partido da Frente Liberal, Liberal Front (PFL), with the center-right Partido Trabalhista Brasileiro, Brazilian Labor Party (PTB) and with Partido da Social Democracia Brasileira, Brazilian Social Democratic Party (PSDB) thus reaching 36% of the seats in the lower house and 42% in the Senate (Madrid 2003, 155). In order to reach the super majority of three-fifths for constitutional amendment, Cardoso also reached a coalition with Partido do Movimento Democrático Brasileiro, Brazilian Party of the Democratic Movement (PMDB) and Partido Progressista Brasileiro, Brazilian Progressive Party (PPB). Overall, Cardoso's alliance reached three-fourths of the seats in the chamber of Deputies and 85% of the Senate. The broad Cardoso coalition was not disciplined: Less than 75% of legislators present voted with the party on controversial issues throughout the neoliberal period and a large percentage failed to show up at all. Overall, less than 55% of all legislators (present and absent) voted with the majority of their party (Mainwaring and Pérez Liñán as cited in Madrid 2003, 155)

⁷⁶ The high union fragmentation in Brazil implies that the support by CUT is not representative of the majority of the working class. Therefore, although Lula is more successful than his predecessors at achieving reforms in the pension sector, he does not have the kind of union support that the Peronists exhibit. This may be the case because while the civil servants' unions in Brazil are more independent from the State, in Argentina many of the workers in the State bureaucracy depend on political positions (I thank Rosalía Cortés for this insight, Buenos Aires, July, 27th 2009)

⁷⁷ In 2006, the PT controlled around 16% of the seat share in the lower house (Payne et al. 2007). The main

theless, the civil servants' mobilization had made the reform less extreme and more expensive in terms of resources and policy concessions.

As in Argentina, the pensioners' organizations also opposed the reform but were poorly organized.⁷⁸ Together with civil servants' unions, these groups had a coherent opposition to the idea that the system was in deficit and therefore needed a deep reform. Their main strategy was a media campaign with the message that the reform would cut pension benefits and destroy the system. Labeling the pension amendment as "privatization," "neoliberal package," and "selling the country to foreign capital" was a powerful tool to turn public opinion against the reform (Brooks 2009, 231-232). Other groups opposing the reform were those who enjoyed special pension benefits and therefore did not want to see their privileges diminished. This was the case of congressmen, the military, the judiciary, each of which used the resources at hand, namely votes, legal resources or "political clout" in the case of the military (Madrid 2003, 151; Silva 1998, 129).

From interviews with government officials and advisors in Brasilia who support and oppose a reform of the existing system, it was clear that only the latter has a unified discourse. On the one hand, the supporters of the *status quo* claim that the system is not in deficit and any initial reform would be the beginning of a complete privatization of the system as it was the case in Chile. On the other hand, there is no clear organized group promoting a broad reform, but individuals with strong opinions. Individual promoters of a structural reform, in addition, do so either because the system is too regressive (disproportionately benefitting civil servants) or because it is too progressive (financing rural workers who have not contributed to the system). In short, the lack of strong groups in society lobbying for a reform of the system and the presence of a strong and unified discourse supporting the *status quo*, makes any comprehensive reform a very difficult task to accomplish.

ROLE OF ORGANIZED CIVIL SOCIETY IN HEALTH REFORMS

Argentina

Parallel to the pension reform experience, Menem's administration attempted at completely deregulating the social insurance scheme of the health sector and decentralizing the public sector. The attempts to reform the social insurance scheme have faced strong opposition from unions in charge of administering those funds. Most of these social insurance companies run by unions

partisan opposition to Lula's reforms were the two center right parties, namely PSDB and PFL, the first promoters of Cardoso's reform plan. It should be noted that the PT is a more disciplined party than the rest of the Brazilian Parties

⁷⁸ These groups were nucleated around Confederação Brasileira de Aposentados e Pensionistas, Brazilian Confederation of Retirees and Pensioners (COBAP) (Silva 1998, 128)

(*obras sociales*) date back to the Peronist era (1946-1955) and unions base a considerable part of their funding on health funds. The Peronist administration inaugurated in 2003 has also not structurally transformed the highly fragmented system, keeping the three-pillar scheme intact. The role of these unions, together with the position of provincial Governors, accounts for part of this immobilism.

Following the Washington Consensus, an influential think tank funded by major business organizations proposed the complete deregulation of the social insurance scheme.⁷⁹ The original idea of the Menem administration in 1992 was close to this proposal, aimed at opening the competition to private insurers. The unions - in alliance with the “political wing” of the government⁸⁰ - reacted immediately with the aim of excluding such private insurers from the competition. The assets of the unions in the health funds were so high that the divided CGT “unified with the explicit aim of rejecting this reform” (Murillo 2001, 145).⁸¹ After the first and only general strike that signaled the union’s capacity, the government had to compromise in a number of issues. In order to control the opposition and to avoid a second general strike, the head of state gave a number of concessions to the unions thus scaling back the initial intention to completely deregulate the system. First, deregulation excluded private insurers.⁸² Second, employer’s contribution only decreased by one percentage point, from 6% to 5% (while the original plan had proposed further decreases) and the state would compensate *obras sociales* for the loss of funds. Third, a basic compulsory medical program was established with the financial support of the National Health Insurance Agency ANSSAL, an agency controlled by the unions. According to Alonso (2000, 184), the negotiation over *obras sociales* has been the “price” of unions for supporting other government initiatives. In particular: the unions supported the constitutional reform (that would allow for Menem’s re-election) and pensions reform in exchange for keeping the *status quo* with *obras sociales* (Alonso 2000, 168).

Kirchner’s administration did not attempt at any major reform of the insurance schemes. I argue that the strong assets of unions on social insurance health funds together with the close connection of Kirchner’s administration to unions, makes any broad reform a very difficult task.

⁷⁹ Fundación de Investigaciones Económicas Latinoamericanas, Latin American Foundation for Economic Research (FIEL) proposed that formal workers would be covered by private insurers in open competition and the public sector would have ceased to be funded by revenues (Alonso 2000, 156). If this proposal had been approved, it would have implied a structural reform according to this paper’s definition of structural reform.

⁸⁰ The “political” wing of the government mainly opposed the technical wing represented by the Ministry of Economics (Alonso 2000, 202)

⁸¹ From 1989 to 1992, the CGT was divided between a pro market reform faction called “GCT-San Martín” and a populist “CGT-Azopardo”. After the re-unification, CGT increased the ability to obtain concessions shifting the interaction with the Peronist government from subordination to cooperation (Murillo 2001, 168)

⁸² The 1993 decree manifested such compromise allowing union members to change affiliation between different *obras* but excluding pre-paid medicine from the competition. It should be noted that although Menem made intensive use of his decree power such decrees were used to regulate the legislation and were bounded by the union-government negotiations.

In 2003, there were 271 *obras sociales* of which 196 were still run by labor unions (INDEC 2005 as cited in Lloyd-Sherlock 2007).⁸³ The role of unions who run *obras sociales* as blockers of any reform that would affect their interests is clearly stated by a former Secretary of Health:

If you do not step in *Obras Sociales* you do not do anything in this country. This happened to Ginés [Minister of Health of former Presidents Duhalde and Kirchner] and most importantly to Ocaña [former Minister of Health of Cristina Fernández]. The “gordos” at unions started to claim more power within the *obras* and there goes your intention to reform.⁸⁴

In the public health sector, the reform has been mostly towards decentralization to the provinces and municipalities without attempting to unify the highly fragmented system, as it was the experience in Brazil. The main actors in this case are the governments at the sub-national level.⁸⁵ The umbrella organization of these groups is the Consejo Federal de Salud, Federal Health Council (COFESA), which has limited coordination capability.⁸⁶ According to a former advisor for President Duhalde’s Minister of Health, this administration tried to increase the unification of the system through a “Federal Plan” in 2003 but the Provincial Ministers of Health had no interest in unifying the system.⁸⁷ Therefore, the proposal was never taken seriously. In Argentina, governors and Provincial Ministries of Health have shown reticence to any broad reform towards unification and coordination of agendas. Therefore, federalism was an additional obstacle for the health reform.

Brazil

To understand health structural reforms in Brazil in 1988, the lack of permeability of neoliberal ideas and the continuity with the model in the 2000s, it is necessary to examine the role of the health worker’s movement.⁸⁸ The *Movimiento Sanitarista* arose in the 1970s in the

⁸³ Lloyd-Sherlock defined this context as one of “continued monopoly and weak regulation.” In addition, PAMI has remained almost entirely unaccountable to the public or state institutions (Lloyd-Sherlock 2007, 9)

⁸⁴ Interview held with former Secretary of Health, Argentina, Buenos Aires, July, 20 2009.

⁸⁵ This involves 25 strong actors, including governors and Ministers of Health of the 24 Provinces and the Central Government

⁸⁶ According to a former Secretary of Health, COFESA had no influence under Radical Administrations (the main opposition to PJ) because the Peronist provinces would not show up and would meet “at the bar in front of the meeting building”. Under Peronist administrations, their impact was very limited due to lack of coordination (Interview held with former Secretary of Health, Argentina, Buenos Aires, July, 20th 2009)

⁸⁷ When they presented the original plan that aimed at increasing the unification of the system, the Minister of Health “crossed out most of it (referring to the proposal presented by this advisor) because of lack of political viability, the governors would not have supported such proposals” Interview held with former Secretary of Health, Argentina, Buenos Aires, July, 20th 2009

⁸⁸ Although I refer to the Sanitaristas as a “movement”, this term is used loosely since they do not attempt to deeply transform state-society relations (Zegada, Tórrez and Cámara 2008, 9, 25). Therefore, the term *movement*

context of a dictatorship (1964-1985) that weakened most of the organized civil society groups. Nevertheless, numerous studies have shown the ways in which the public health movement could “infiltrate” the authoritarian State to start developing a strong and ideologically coherent movement (Falleti forthcoming; CONASEMS 2007; Santos 1985, 173). The transition to democracy and the writing of 1988 democratic constitution gave them a favorable structure of opportunity to push forward a reformist agenda (Kaufman and Nelson 2004). The transition to democracy was important both because of the receptivity to universalization ideals and also because the opposition to the reform was considerably weakened.⁸⁹

The Sanitarista movement was formed by healthcare professionals, local healthcare authorities and left-wing health experts.⁹⁰ It was originally an elite-driven project that avoided, for the most part, forming an alliance with the unions.⁹¹ The movement engaged in multiple strategies through which they have influenced the health agenda for the last 20 years. First, the so-called “Sanitarista Caucus” or “Sanitarista Party” (*“Bancada da Sade”*) is a group of legislators who respond directly to the movement, especially to the Health Commission of the Chamber of Deputies. In particular, the close ties between the movement and the PT generated a stricter boundary on the proposed reforms in the 1990s.⁹² Second, the Ministry of Health has responded to the Sanitarista movement for the most part since the Minister of Health is generally from its ranks. Third, many leaders of the movement occupy decisive places in the Provincial and Municipal Ministries of Health across the country. The Sanitarista movement could penetrate the bureaucracies at the local level and therefore some governors and mayors have been allies of the reform process. Federalism, in the Brazilian case, may have facilitated the passing of the bill.⁹³

when referring to the Sanitaristas is actually talking about an originally organized group of health professionals that could penetrate the state structure, thus becoming permanent and institutionalized.

⁸⁹ Had the reform been attempted at another moment, it would have probably not been as extensive, due to the strengthening of opposition to the reform forces. Actually, some years after the transition, unions, INAMPS and other opposing forces were strengthened and could therefore delay the implementation of the reforms.

⁹⁰ In its origins, the main alliance of the movement was the Communist Party.

⁹¹ There have been multiple instances that unsuccessfully tried to strengthen the links between unions and the Sanitarista movement - particularly in the 8th Health National Conference in 1986, in which the National Commission of Health Reform (CNRS) was constituted. The Commission agglomerated representatives of Ministries, Health Secretaries from the State and Municipal levels (CONASS and CONASEMS), as well as a number of labor unions (CUT, CONTAG, CGT) and other health professional associations, among others. Personal interviews with members of the Sanitarista movement revealed that this lack of popular base may have to do with different conceptions regarding the desirable health system. In particular, while Sanitaristas advocate for universalism in healthcare, they claim that workers and employers are more concerned with improving the quality of health associated to the formal labor market through social insurance schemes. Nevertheless, this is only part of the movement’s perspective on the matter to which the author had access to.

⁹² Influenced by this movement, the Worker’s Party generally voted against neoliberal health initiatives. Once in power, the Worker’s Party incorporated many of this movement’s demands and the strength of the *Movimento Sanitarista* is increasing.

⁹³ Falleti describes how federalism in Brazil facilitated the “infiltration” of the Sanitarista movement in the bureaucracy because the dictatorship maintained elections at the local level, and opposition parties at the local level were receptive of the reformist Sanitarista movement (Falleti forthcoming, 177). Nevertheless, federalism has proven to be an obstacle for the implementation of the SUS, a process that exceeds the definition of structural reform taken in the present study. It should be noted, though, that the funds transferred from the federal

Opposition to the SUS in 1988 was mainly headed by the INAMPS and the private sector, which protected the insurance and private schemes. INAMPS had administered the health care system since 1977 and formed an “alliance” with associations of doctors, hospitals, drug manufacturers, and insurers. These groups had been considerably weakened during the dictatorship and could therefore not present a strong and unified opposition to the writing of the 1988 Constitution. Nevertheless, once they regained organizational capacity, they could oppose implementation. In McGwire’s words, these efforts “delayed progress toward a more equitable health care system for several years” (2002, 146). In particular, the reform was constitutionalized but took some years to be implemented. The opposition groups achieved an increase in the role of the private sector (complementing the public sector), but they could not avoid the exclusion of mandatory insurance schemes (Goncalves Meniucci 2003, 178-181).

Measurement of the Role of the Organized Civil Society in Health and Pension Reforms

We can see that the support (or lack of opposition) of relevant unions and other organized groups to the reforms makes structural changes more likely. Conversely, in the presence of strong groups highly opposing the reform, there is either no attempt at reforming the system or the reform is limited. I measure the role of civil society by considering three dimensions, namely, the strength of the labor movement, its level of opposition, and the level of support for or opposition to the reform of other relevant groups in the society. Table 5 shows how the extent of the reform is determined by the role of the civil society.

The possibility of structural reform is determined by the strength and level of opposition of the organized civil society. In contexts of high opposition of unions, such as the Brazilian civil servant’s union to the pension reform and Argentines *Obras Sociales* to the health reform, the extent of the reform is diminished. Accordingly, when the opposition of unions takes on the middle or low values, such as the medium opposition of Argentine unions to pension reform in the 1990s and the absence of opposition to 2008 reforms; or the weakened (after dictatorship) opposition capacity of unions and INAMPS to the health reform in Brazil, more structural reforms have been achieved.

The analysis of the different outcomes within each country shows the relevance of the level of opposition to the reform in Argentina as well as the presence of a strong group pushing forward a reformist agenda in Brazil.

In Argentina, in a context of equal strength of the labor movement and equal links to the

government where invested very differently in each state. In some states, the transferred funds were used to increase salaries in the health sector, for instance (Weyland 1995)

Peronist party, the pension system could be structurally transformed while the health system was only marginally reformed. Although both reforms were a compromise between the major unions and the PJ government, thus proving the relevance of the union-party linkages, less comprehensive reforms in the health insurance schemes were achieved. Keeping the *obras* system protected was the “price” the government paid for receiving the union’s support in the partial privatization of the pension system. The observable difference is that the level of opposition of unions was stronger in the health sector, thus enhancing the unification of the CGT. The reason for this is that the assets of unions in the health reform - risking their main source of funding - were considerably higher than in the pension reforms.

In Brazil, the presence of the Sanitarista movement pushing forward health reform and of a unified opposition to pension reforms seems to be the key for accounting for the different possibility of structural reform. In comparing the pension and the health system and the role of organized interests, an advisor from IPEA summarized:

The SUS is a Ferrari that has some mechanical issues, but it is a Ferrari, well designed; while the pension system is a Frankenstein, it has little and superficial reforms all the time, one over the other. And this is exactly because there does not exist something similar to *Movimento Sanitarista* of social security reform.⁹⁴

It is hard to imagine a Sanitarista movement of pension reform in Brazil given the strong assets of civil servants’ unions that has made gradualism the rule.

The mere existence of strong unions is not enough for explaining structural reforms, since it is in the interaction with their position and the strength and position of other interests groups where the game is defined. Strong unions with close links to the majority party (CGT-PJ in Argentina) can influence without blocking the pension reform. Accordingly, a strong civil society group (*Movimento Sanitarista* in Brazil) can actually benefit the enactment of extensive health reforms when they are supporting it. Finally, strong unions (civil servants’ unions in Brazil and union run *obras sociales* in Argentina) can also block reforms when it is in their best interest not to negotiate with the government.

⁹⁴ Interview held with health advisor from IPEA (Institute for Applied Economic Research), Brazil, Brasília, June, 17 th 2009.

ALTERNATIVE EXPLANATIONS

For testing the effect of the role of the organized civil society, I chose cases that are similar on variables that were significant in the statistical analysis and that the literature on welfare states has considered relevant for analyzing social policy reforms. This is the case of institutional explanations and the political dispersion of power; the specific characteristics of each social policy sector; the legislative partisan balances and the cumulative record of democracy.

First, institutions, and the dispersion of political power specifically, are the main rival explanations to account for the existence of structural reforms. Argentina and Brazil show considerable differences in the dispersion of political power. The inclusion of two social policy sectors within each country allows us to control for such institutional differences to account for structural change.

In Argentina Carlos Menem, Néstor Kirchner and Cristina Fernández were backed by disciplined majorities in the legislature.⁹⁵ In Brazil legislative power was more fragmented and non-disciplined in the case of Cardoso, with modifications when the PT accessed power.⁹⁶ The effective number of parties is considerably higher in Brazil than in Argentina,⁹⁷ electoral volatility is also higher in Brazil than in Argentina,⁹⁸ and parties in Argentina endure more across time.⁹⁹ Finally, although Brazilian presidents are constitutionally stronger than their Argentine counterparts, Argentinean presidents have used decree power more widely.¹⁰⁰

⁹⁵ See footnotes 62 and 66 above

⁹⁶ See footnotes 75 and 77 above

⁹⁷ The average quantity of parties with effective representation in the lower house from 1989 to 2002 is 8.11 in Brazil. In Argentina from 1989 to 1993 the effective number of parties in the lower house seats was 2.7 and from 1995 to 2001 it was 2.98 (Payne et al. 2007, 43,169)

⁹⁸ For the period 1945-1996 Argentinean mean volatility was 18.8; and Brazilian mean volatility was 33.0 (Mainwaring 1999, 29). For the period 1983-2003 Argentinean mean volatility was 18.3; and for the period 1986-2002 Brazilian mean volatility was 28.6 (Payne et al. 2007)

⁹⁹ Few pre-1950 parties in Brazil (PDT, PSB and PTB) captured almost 13 percent of the votes. At the same time, more pre-1950 parties in Argentina (UCR, PJ, *Partido Demócrata Progresista*, and others) captured almost 70% of the votes (Mainwaring 1999, 32)

¹⁰⁰ In Brazil after 2001 reform, presidents can implement measures that have the force of law for 60 days by decree power (called provisional measures, *medidas provisórias*), without the need for congressional approval. In practice, *medidas provisórias* stay in place unless Congress rejects them. While Brazil scores 0.96 in constitutional proactive powers, Argentina scores 0.38 (UNDP 2004 as cited in Payne et al. 2007, 96). Normatively, presidents in Brazil are stronger. Nevertheless, Brazilian presidents recurred less than Argentinean presidents to their constitutional powers for enacting health or pension reforms.

Table 6: Dispersion of Power in Brazil and Argentina (1988-2008)

Country	Seats Dominated by Executive/ Discipline	Number of Parties/ Volatility/ Endurance	Executive Dominance
Argentina	Majority - High party discipline	Low fragmentation Low volatility High endurance	<i>Decretos de Necesidad y Urgencia</i> , widely used in health and pension reforms.
Brazil	Minority (or majority through coalition)	High fragmentation High volatility Low endurance	<i>Medidas provisórias</i> , not widely used in health or pension reforms

Table 7: Existence of Structural Reforms Depending on the Level of Dispersion of Power

	Structural Health Reform	Structural Pension Reform
High concentration of power (Argentina)	No	Yes
Low concentration of power (Brazil)	Yes	No

By observing such differences, scholars have concluded that the possibility for reform in Argentina is extensive while in Brazil it is bounded (Kay 1999; Mainwaring 1999). This is a fair conclusion from looking at only pension reform, given that structural reforms could be achieved in a context of more concentrated power in the hands of the executive. Accordingly, in a context of more dispersed power, such as Brazil, pension reform has been very limited. Nevertheless, the dispersion of political power fails to explain the extent of healthcare reform given that in a context of very concentrated power, Argentina did not enact structural reforms; while Brazil is a structural reformer in a low-disciplined fragmented party system.

Second, it has been argued that health care is more difficult to reform than pensions because of the particular characteristics of each sector (Mesa-Lago 2008, 155).¹⁰¹ To control for the inherent differences of each sector that makes it more difficult to achieve structural reform, I have included cases of structural reform in both more complex systems (health) and theoretically easier to modify systems (pensions). As shown by table 8, explaining structural reforms by the complexity of the system would only be accurate if we observed the Argentinean cases where only the pension system gets structurally reformed.

¹⁰¹ “Health care is more difficult to reform than pensions because it affects a greater number of people, their benefits are immediate instead of deferred, provision of health services is more complex than those of pensions, the health market is highly imperfect and has greater asymmetries of information, some health services have significant externalities and involve public goods (control and treatment of contagious diseases), the clientele of healthcare organisms is diverse, there is a larger number of healthcare than pension employees and they require more skills, are very well organized and strongly resist reform, and a health reform may contain costs but cannot generate national savings” (Nelson 2004 and Homedes and Ugalde 2006 as cited in Mesa-Lago 2008, 155)

Table 8: Structural Reforms Depending on the Complexity of the System

	Argentina (Structural Reform)	Brazil (Structural Reform)
Higher complexity (Health)	No	Yes
Lower complexity (Pension)	Yes	No

The third control variable is partisan politics, defined as the ideological position of the majority political party. I measure this variable by following the coding from Coppedge (1997), Alcántara Sáez and Freidenberg (2001); Alcántara Sáez (2008) in an ordinal level variable ranging from left to right. In Argentina, the analysis includes Carlos Saúl Menem belonging to *Partido Justicialista* (1989-1999), and Fernando de la Rúa representing *Alianza por el Trabajo, la Justicia y la Educación* (1999-2001). These periods follow a center/center-right tendency. Néstor Kirchner representing *Frente para la Victoria* (2003-2007) and Cristina Fernández representing the same party (2007-present) are coded as a center-left party in the 2003 elections and center-left coalition in the 2007 elections. In the case of Brazil, the neoliberal consensus found resonance in Collor de Melo’s *Partido da Reconstrução Nacional* (1989- 1992), who was then succeeded by Itamar Franco (1992-1995) and his Finance Minister, and then President Fernando Henrique Cardoso (1995-2003), all coded at the center of the ideological spectrum. Luis Ignacio da Silva, in office since 2003 representing the PT, has been coded in the center-left part of the ideological continuum. The following table presents the results. Argentina and Brazil share similar trends in terms of their ideological positions of incumbent political parties from the neoliberal decade to the present. As shown in Table 9, the ideological position of such parties shows a movement from center/center-right in the late 1980s early 1990s; to center-left in the 2000s.¹⁰²

¹⁰² It should be noted that the databases do not share the same coding criteria. While Coppedge (1997) codes for the ideological position of the parties of the lower chamber and tests for validity by confirming with a number of country experts, Alcántara Sáez (2006, 2008) codes for relevant political parties as such by asking a specific question to current deputies about the ideological position of the party. The question is: “*En una escala en donde la izquierda es 1 y la derecha 10, ¿Dónde ubicaría usted al partido?*”, (“*In a scale in which left is 1 and rights is 10; Where would you place the party?*”) Since it is not within the scope of this paper to analyze the ideological fluctuation in each country, it is enough to use the same coding for each period to control for this variable.

Table 9: Mean Ideological Tendency of the Majority Party in Brazil and Argentina (1985-2007)¹

	1985-1995 ²	1996-2002 ³	2003-2007 ⁵
Argentina	Center (1985-1995)	Right (1996-1999) and Center (1999-2001)	Center Left (2003-2007)
Brazil	Center (1990-1994)	Center (1995-2003) ⁴	Center Left (2003-2007)

¹ Source: Coppedge (1997) and Alcántara Sáez (2006, 2008)

² Coppedge (1997, 4) codes for parties in lower chamber elections, the classification scheme identifies parties with a position on a left- right spectrum and a religious versus secular dichotomy which is not relevant for the cases of Argentina and Brazil.

³ Alcántara Sáez (2006) analyzes the period 1978-2003 in Latin America and codes the ideological position of the main parties for each country.

⁴ I am including the Fernando Henrique Cardoso period the way Alcántara Sáez codes PMDB Party. Nevertheless, Cardoso was elected under a heterodox alliance formed by: PSDB and two right-wing parties - PFL and PTB

⁵ Alcántara Sáez (2008) codes left parties with parliamentary representation from a scale that goes from left (1) to Right (10). Argentina PJ is 4.77 and Brazilian PT is coded 4.44. Therefore, I transformed the continuous variable into an ordinal, center-left value of that variable.

Table 10: Brazil and Argentina Status According to Freedom House¹

	1989- 1990	1992- 1993	1995- 1996	1998- 1999	2001- 2002	2005	2007
Argentina ²	F	F	F	PF	PF	F	F
Brazil ²	F	F	PF	PF	PF	F	F

¹ Source: Freedom House

² “F”, “PF” and “NF” stand for “Free”, “Partly Free” and “Not Free”, respectively.

The final control variable is the democratic record. It has been stated that the cumulative record of democracy over a long period of time has a considerable effect on social policy patterns (Huber, Mustillo and Stephens 2008). Argentina and Brazil underwent a process of transition to democracy in 1983 and 1985, respectively. Since that moment, there has been no reversion to authoritarianism, so the cases hold a record of 23 and 25 years of uninterrupted democracy. In addition, according to data from Freedom House, democracy can be considered a control variable given that Argentina and Brazil share similar trends in terms of civil and political liberties. Table 10 supports this statement.

CONCLUSIONS

The main purpose of this thesis has been to show the mechanisms through which welfare state theories travel to South America. I have demonstrated that similar factors operate in Western Europe and in this region, namely: the organized working class and other social groups, through their ties to political parties, are the main agents of change. Through the combination of a pooled time series and a case study comparison, I showed that the long-term influence of unions on social policy, visible in the levels of expenditure, parallel the contextualized mechanisms that enable extensive social policy reforms. In the presence of a strong labor movement, we witnessed increases in health and education, and in social security and welfare spending as a percentage of GDP. In a particular reform scenario, and independently of the direction of the reform, strong groups supporting a structural reform made it happen; and if such groups opposed broad reforms we did not witness structural changes.

Strong unions and other organized groups, such as the Sanitarista movement, can actually push forward extensive reforms when they are supporting it. Accordingly, strong unions with close ties to the incumbent party, such as CGT with the Peronist Party in Argentina, can modify without blocking a reform, as can be illustrated with the case of the pension sector. Finally, the cases of absence of structural reforms - health sector in Argentina and pensions in Brazil - can be explained by the presence of strong unions, such as civil servants' unions in Brazil and Argentine's union-run *obras sociales*, which blocked the reform when it was in their best interest not to negotiate with the government, thus preserving the *status quo*.

Several implications stem from this analysis. Most crucially, the relevance of these findings is that partisanship matters in Latin America. In opposition to the rich body of literature on the weakness and clientelistic characteristics of Latin American political parties, this investigation has shown that it is generally through the alliances with parties that unions have more impact on social policy reform. Structural pension reforms in Argentina were enacted by the same originally labor-based party, namely the Peronist Party, which could neutralize the opposition in the 1990s and had no opposition in 2008. In Brazil, the support of Sanitarista movement to the health reform in the late 1980s and its opposition to neoliberal attempts at reforming the system in the 1990s was a successful strategy, at least in part, through its connections to the Worker's Party.

Additionally, my analysis has opened a number puzzles that deserve further consideration. Both traditional unions and other civil society groups proved to impact the depth of social policy reforms. A question that arises is, however, whether the nature of such effect is different based on the type of organization. In other words, what are the differences between the influence

of organized labor and social movements on social policy in Latin America? Are unions more effective than movements given their stability and institutionalization? Do social movements only impact social policy indirectly, namely through mobilizing the society and thus making the *status quo* a costly alternative? Cases such as the *piquetero* movement in Argentina, the *sem terra* in Brazil or the *cocaleros* in Bolivia are worth analyzing under this light.

Another set of puzzles has to do with the type of welfare or social state that these reforms have built in South America. It has been more than a decade since left-wing parties, movements and leaders started to win governments throughout the region- in Venezuela (1998), Chile (2000), Brazil (2003), Argentina (2003), Bolivia (2005), Uruguay (2005) and Ecuador (2006). Have the recent reforms modified the essence and nature of the welfare state? Is South America, in general, and Brazil and Argentina, in particular, leaning towards Esping-Andersen's Social-Democratic type of welfare state? Ultimately, how permanent are these changes? Can a right-wave in the region revert this process? These questions, in turn, speak directly about some of the most pressing challenges of contemporary Latin American democracies, namely the protection of the well-being of the most vulnerable sectors in society.

Finally, it is relevant to assess the main shortcoming of this thesis. In this analysis, I have not tackled the ways in which social policies have been implemented and therefore relatively fulfilled their original aims. In concrete terms, I have not discussed quality, coverage or sustainability of these policies. Of particular interest are the regional differences in the quality and levels of coverage in the provision of these services. Federal countries such as Brazil and Argentina are clear examples of such disparities. Future research needs to scale down the unit of analysis and test whether welfare state theories travel from the national to the sub-national level.

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Cuarto Intermedio.