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Latin America

Anti-Poverty Schemes Instead of Social Protection

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Anti-Poverty Schemes Instead of Social Protection

Lena Lavinas[1]

Abstract

This paper examines the extent to which poverty reduction schemes and targeting replaced the incomplete framework of social protection and universality in Latin America over the last decade, through the provision of monetary cash transfers rather than decommodified goods and services. Is this a turning point towards a new pattern of social policy in the region, characterized by basic standards, controls and selectivity for those who cannot afford market provision? What are the outcomes of such a turnaround with regard to poverty and inequality? Are there setbacks in the reduction of inequality, notably in terms of failing to overcome patterns of segregation and the social stigma of poverty? Will these new trends reinforce the case for reforming social protection pillars for the non-poor? Will the discourse of privatization gain a new momentum and reverse the counter-reforms in favor of integrated public systems? The first section of this paper provides the conceptual background to understand why social protection systems and poverty reduction strategies differ, highlighting the role of the various components of social protection and their arguments in economic terms and for purposes of equity and social justice. Likewise, two distinct paradigms will be confronted: on the one hand, the social risk management strategy (Holzmann and Jørgensen 2000), and, on the other, universal social protection systems as they were gradually fashioned during the golden years of the 20th century in Western countries. The second section scrutinizes the profile of the public provision of welfare in some Latin American countries, through an overview of social spending, presenting the main features of conditional cash transfer programs in Latin America and other contributory schemes that have been reshaped as of late. The last section draws lessons from the experiment of the Bolsa Família Program in Brazil to discuss the effectiveness and the limits of conditional cash transfers on poverty reduction and inequality. Finally, the concluding section calls attention to the risks of developing social protection schemes mainly on the grounds of the provision of cash benefits – a pro-market strategy – if the goal is to tackle poverty and inequality in the long run, promoting social cohesion such an uneven region.

1 This paper enjoyed critical comments, formulated by Veronica Schild and Robert Boyer, during my stay at desiguALdades.net as a Fellow in the fall of 2012, as well as insights drawn from the regular colloquium meetings. I thank all Fellows and Principal Investigators, especially Sérgio Costa, and Barbara Fritz for her detailed comments, Paul Talcott and Flora Thomson-DeVeaux for being so supportive in the editing, and Tatiana Ferro, undergraduate student at the Institute of Economics at UFRJ for preparing the figures. Finally, I am also grateful to Francisca Talledo and Ana Fonseca who provided updated information on the Juntos and Mi Familia Progresa programs.

Keywords: welfare schemes | cash transfers | social spending | Bolsa Família | decommodification

Biographical Notes

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> If public goods – public services, public spaces, public facilities – are devalued, diminished in the eyes of citizens and replaced by private services available against cash, then we lose the sense that common interests and common needs ought to trump private preferences and individual advantage. And once we cease to value the public over the private, surely we shall come in time to have difficulty seeing just why we should value law (the public good par excellence) over force (Judt 2010: 129).

1.1. Overview: Conditional Cash Transfers in Latin America

Conditional cash transfers targeted to the needy have become widespread in Latin America since the early 2000s. In many cases, they are seen as the main mechanism that contributed to reductions in poverty and extreme poverty, whose rates have fallen sharply as of the late (ECLAC 2012). These schemes are relatively low cost and eventually benefited from a period of economic recovery in the region (ECLAC 2012). This new macroeconomic context coupled with the consolidation of democracy is likely to have given national states the resources to adopt or expand safety nets. Conversely, the establishment of comprehensive social protection systems is likely to face higher hurdles. Universalism is at stake, challenged by the social risk management strategy, lately updated by the social protection floor proposal (ILO 2011). This paradigm would fit the developing world, and Latin American countries in particular, where some basic standards are already in place for the most vulnerable. The following sections center these newer programs and their implications in the context of the logics of welfare state programs in market societies.

1.2. From Poverty Reduction towards Equity in Market Societies

In the aftermath of World War II, the quest for universality was not only an ideological issue but a sensible approach to resetting effective economic policies to recover from devastation and help capitalism to pick itself up again. In this respect, the Keynesian Consensus (Judt 2010) played a crucial role for making the case that uncertainty and unpredictability in people´s lives under market rules require a different format for policies in general, and a more active and permanent role for the state. Contrary to the “embracing inequality” theories (Thompson 2012) that were hostile to state intervention in the economy, backing individualistic capitalism, Keynesianism favored a more disciplined relationship between market and state, and also grounded the case for welfare states (Townsend 2002).

The regulatory socioeconomic model that prevailed until the mid-1970s in Western advanced countries – and as partly embodied in the developmentalist framework (Bielschowsky 2006) in Latin America – put the State at center stage as the most prominent agent in charge of building up a national collective project committed to addressing two main issues to preserve freedom and democracy in a context of social political peace: renewed prosperity coupled with enhanced security. One may note that in Latin America, the shortage of the security leg of this framework was surpassed by the faith that soaring economic growth through a genuine and nationally-rooted industrialization process would automatically improve well-being and curtail high levels of social and economic inequality. The social dimension of development was not recognized within the state-led import substitution strategy that boosted the first wave of industrialization in the region. Instead, well-being was an expected output to be derived from increases in per capita GDP. The 1990s brought a different understanding about how essential equity issues were to consolidate economic growth. The second phase of developmentalism or the neo-structuralist wave from the 1990s onwards correctly added social policy into the Latin American progressive agenda.

Already in 1950, learning from the successful British experiment designed by William Beveridge and John Maynard Keynes (Harris 1997), with Nicholas Kaldor´s eminent and crucial support,[2] the International Labor Organization (ILO) – echoing the understanding in the international community – held that comprehensive social protection systems are essential to achieve such aims and should be pursued by nation states. This implied going beyond simple poverty alleviation schemes (social minimums for subsistence levels, inherited from the 17th century British Poor Laws) towards a new policy approach in order to promote socioeconomic stability in a market-oriented world whose dynamics are fundamentally destabilizing and permeated by frequent crises and shortfalls. This was a decisive turning point with regard to the understanding of the aims of social protection. Beyond certain risks previously addressed by social insurance schemes, the social protection regime was to become a means to prevent and cope with uncertainty. Its scope then had to change accordingly.

The new framework as envisioned by the ILO (1950) was conceived to cover a wider range of contingencies (not only destitution as under the late 17th century Poor Laws); provide benefits more nearly adequate to needs (instead of just basic or a limited backbone structure of benefits); break the tie between contribution payments and benefit rights, and therefore consolidating wage relations and going beyond the Bismarckian contributive model that perpetrated unequal access to benefits; and finally, to unify the

2 Already in 1944, Kaldor participated in the design of fiscal policies aimed at guaranteeing full employment and financing the new social protection system (Dostaler 2012: 248).

finance and administration of previously separated branches to allow individuals as citizens to switch categories rather than be bound within one system simply as workers.

Such an understanding of how economic development and social protection were intertwined and should be articulated in the policymaking process gave rise to one of the most astonishing institutional innovations of the 20th century: the welfare state, or more properly, various welfare states. As Nicholas Barr puts it, "the roots of the welfare state are long-standing and complex. … Thus the sequence and timing of the different parts of the welfare state varied considerably across countries in the light of different attitudes and path dependency" (Barr 2012: 18).

However the specific features varied to some extent from country to country, some common features remain relevant to all of them. Briggs´ accurate definition of the welfare state summarizes its essence:

> [A] state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions: by guaranteeing individuals and families a minimum income irrespective of the market value of their work or their property; by narrowing the extent of insecurity by enabling individuals and families to meet certain ´social contingencies`; and by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services. (Briggs 1961: 228)

Equality of status (which to Thomas H. Marshall is more important than equality of income; Marshall 1961) is not a minor aspect in reframing social protection since it should ensure equality of access and treatment, leading, in turn, to a continuous push for raising standards of services in order to meet the goal of equal citizenship over time. Combining rising standards with full coverage (since all are equal, nobody should be excluded and needs cannot be ranked according to importance) would bring about a virtuous economic cycle and address Keynes´s deepest concern about permanently maintaining the economy in conditions of quasi-boom in order to make it produce at its full potential (Carvalho 2006). This would preserve and stimulate full employment – the major source of well-being in market societies. The immediate effect would be to prevent crises, recessions, and depression, therefore avoiding loss and suffering due to economic volatility. Although occupational welfare (Titmuss 1968) would offset temporary hazards, it would not suffice in itself to maintain demand in "conditions of quasi-boom." This accounts for the quest of universalizing rights beyond entitlements derived from an occupational status.

For Fernando C. Carvalho, if this assumption holds, "*enlightened* economic policy itself would work as *social reform"* (Carvalho 2006: 6), entailing, one may add, redistribution on a regular basis. Keynes´s conceptual approach connecting macroeconomics and social policies implies redistribution through universal provision, embracing scale and scope, on a continuous pace. In this respect, Beveridge´s most prominent contribution lies in casting "a plan all-embracing in scope of persons and needs" (Beveridge 1942).

The outcomes of such a turn are broadly known and undisputable: more than three decades of intensive growth and innovation, rising productivity, reinforcing democracy, curbing inequality and lifting tens of millions of people out of poverty in Western developed countries. In 1970, the Organization for Economic Co-operation and Development (OECD 2013) reported a Gini Index for its country members of 0.378 for gross income, dropping to 0.316 when measured by disposable income (post-tax and post-monetary transfers). Although a huge increase in inequality was reported in 2000, with the Gini Index (for gross income) reaching 0.486, the architecture of the welfare states in most OECD countries still assured a relevant improvement of the Gini Index (income net of taxes and fiscal transfers): it went down to 0.406. Furthermore, this "indefinable and ubiquitous sense of security" (Judt 2010: 84) entailed social peace in the long run.

Despite various formats ranging from residual schemes to more comprehensive and reflexive social protection systems, the welfare state can be then interpreted as a set of institutions, grounded on regulations and norms, whose primary aim, if they are to promote socioeconomic stability and attenuate crisis, is to provide mechanisms of risk sharing, which means assembling a larger number on principles of a solidary pooling. And the best way to achieve such a goal appears to be strengthening universalism. Deprivation of universal rights would affect the dynamics of capitalist accumulation, increasing inefficiency by reducing the economic potential of production, with negative impacts on well-being. It is not a coincidence that different sorts of universal schemes diffused rapidly in Western economies in line with the consolidation of welfare states. Little by little, the previous "social service state" in which limited services were provided for a limited group of the population (the targeted group, namely the poor) gave way to a more complex set of activities run by the state in order to provide security, entailing growing public spending. Such a dynamic reconfigures the welfare state, particularly the contributory regimes associated with the Bismarckian model. Two major shifts alter the previous welfare configuration and announce a new paradigm: (1) social policies were to prevent risks and the effects of negative contingencies that could occur or not, instead of just providing ex-post compensation; (2) and to be more effective, welfare policies were to be provided irrespective of status, income level or contributions.

Child benefits and basic pensions illustrate this turning point in terms of providing socioeconomic security beyond stratified and exclusionary contexts.

However, there are other justifications on the grounds of efficiency to support the existence of universal provision by the welfare state: to avoid asymmetric information and the harsh consequences of deficits in information-processing, which has negative impacts on society (demand and supply side), especially on the most vulnerable; to avoid power asymmetries; to face uncertainty (uninsurable) and not only risks (insurable) over the long run; to avoid mistakes in trying to measure well-being, earnings, and targeting; finally, to avoid discrimination, which aggravates inefficiencies and promotes unequal status (Barr 2012).

For these very reasons, the design of the welfare state usually includes not only monetary benefits[3] but also benefits in kind. The latter has enlarged in scope so as to supply capitalism with the increased security necessitated by its own deployment. Cash benefits address inefficiencies derived from market failures[4] and problems of consumption smoothing over the life cycle, whereas benefits in kind (health, education, care in general) constitute a powerful mechanism in favor of universalism, for they promote equality of status on the basis of citizenship as well as equality of opportunities through a common set of services, provided irrespective of one´s income or lack of income. While cash benefits would not suffice to foster convergence towards a common status – since they are most often awarded on the basis of previous contributions or income tests – full decommodification (Titmuss 2001 [1964]; Esping-Andersen 1990) or benefits in kind play a central role in asserting principles of equal access and equal rights. Equal rights presume that access is universal and unconditional.[5] As put by Richard Titmuss:

> The major positive achievement which has resulted from the creation of direct, universalistic social services in kind has been the erosion of formal discriminatory barriers. One publicly approved standard of service, irrespective of income,

3 Monetary benefits are divided in contributory benefits and non-contributory, either universal (ex-ante) or means-tested (ex-post).

4 Market failures undermine the maximization of total output and bring reflect economic inefficiency, which the welfare state is designed to minimize.

5 Unconditionality and universality are also the two fundamental principles that make the case for the currently-discussed proposal for basic income, defined as an unconditional and universal monetary income guaranteed for all members of a political community (nation) by the state, independently of her personal characteristics such as age, race, sex, social class, income, etc. The goal is to foster citizenship and common ground on the basis that all citizens share values and therefore the resources of the nation on an equal basis.

> class, or race, replaced the double standard which invariably meant second class services for second class citizens (Titmuss 2001 [1964]: 110).

This explains why universal access to health care, daycare, care for the elderly or education differs substantially from providing individuals or families with voucher schemes (equivalent to cash), aiming at guaranteeing personal choice and competition as a way of improving efficiency through pro-market devices. Social protection encompasses both cash and in kind benefits because the later and the former achieve different goals in terms of preserving and enhancing well-being. Though income support varies considerably, either in the form of contributory benefits or non-contributory ones, they have been tailored for purposes of insurance, smooth consumption and poverty relief. They tackle primarily income deficits and help in solving problems of market failures. In contrast, benefits in kind address other complex issues referring to equality of opportunity, and therefore are intimately related to equity issues.[6]

A vast and diverse body of literature (Esping-Andersen 1990; Pierson 1996; Pontusson 2005; Huber and Stephens 2012; Boyer [forthcoming], just to cite a few) has consistently displayed evidence that the more universal social protection systems are, the more redistributive their impact is. This led authors such as Korpi and Palme (1998) to identify, on the grounds of empirical analysis, the "paradox of redistribution", considering that Western welfare regimes that targeted the poor most heavily, actually turned out to have redistributed much less than expected. This should have come as no surprise given that the gradual evolution of social protection schemes over the 20th century towards more universality and unconditionality, echoing the understanding that targeting and selectivity had a marginal impact in redistributing well-being and promoting a more homogenous, prosperous and integrated society. Evelyne Huber and John D. Stephens (2012) reasserted these findings based on Luxembourg Income Study (LIS) data: once again, Scandinavian countries stand out as the most effective in reducing poverty and inequality, for they provide large, universal and decommodified services. Countries whose welfare system predominantly focuses on means-test benefits to overcome severe destitution are even less capable of satisfactorily accomplishing poverty reduction goals. Their poverty alleviation policies and programs prove highly ineffectual (as illustrated by the US case).

6 As Barr recalls with regard to non-economic arguments to justify the universal provision of public health, it "does not mean that individuals can necessarily obtain as much health care as they want (since health-care resources are scarce, no system can satisfy everyone´s wants). But it does mean that any individual should receive as much health care as anyone else in the same medical condition, regardless of any factors that are thought to be irrelevant – for example income. The same argument applies to education" (Barr 2012: 233-4) and the like.

1.3. How Financial-Led Markets Undermine De-commodification

The point we make echoes a continuing debate that emphasizes that the structure of the welfare provision matters and should not be neglected, especially in countries, such as in Latin America, where the social protection edifice is just taking roots or, at best, remains incomplete and imperfect. This is the case of the pioneer countries in implementing social insurance schemes, which is the case of Argentina, Uruguay, Costa Rica, Brazil, and Chile, according to the typology established by Carmelo Mesa-Lago (2005). Huber and Stephens (2012), in their most recent book, examine this same aspect, relating to the structure of social policies in Latin American countries, but they argue from a distinct stand point, building a case for the adoption of a model of basic universalism in the region. Acknowledging this concern means considering not only access to entitlements and the extensiveness of entitlements, but conditions of this access (Lo Vuolo 2013a; Lavinas et al. 2012; Cobo 2012) as well as the type of benefit that is provided (Lavinas 2007). For us, universality and unconditionality constitute inseparable dimensions of access to and effective use of benefits from social protection that arises and develops in market societies.

The functionality of the welfare state, so effective and essential to capitalist regimes of any sort, as we have learned so definitely from Karl Polanyi (1944), supposes that its design is constantly adapting to meet the new challenges derived from the accumulation regime and contradictions of capitalism. One may then assume that the notion of “welfare capitalism” – and what it embodies regardless of its contours – is a specific, radical and conflicting arrangement, subject to disputes on the grounds of the extensiveness of the rights it ensures, forms of access, and also means of financing. The state will always stand by the market supporting social reproduction and “serving the legitimation needs of a new form of capitalism” (Fraser 2009: 113).

Notwithstanding, in the last quarter of the 20th century, under the hegemony of neoliberal ideas, the responsiveness of social protection systems has been partly undermined, especially in Western economies whose welfare states are largely financed through current contributions by employers and employees. By contrast, this contribution-based distortion did not occur in Scandinavian countries, where markets are strongly regulated, and the bulk of social protection is tax-funded, ensuring redistribution and common patterns. Consequently, the welfare edifice has been renovated with no harm to its foundations (Boyer [forthcoming]; Kvist and Greeve 2011). Also in the neoliberal reform process, another model or a reconfiguration of welfare capitalism surfaced redefining the relationship between markets and the state. Rather than compensating for market failures and market distortions through social regulations, the state is expected to play a more active role in pushing for and strengthening market forces to stimulate sustained economic growth. This move from a wide-ranging state intervention towards a more market-driven system (Huber 2002) alters the state's role and mode of functioning to make them compatible with a new casting of prerogatives. By the same token, the architecture of welfare capitalism is remodeled.

It comes thus as no surprise that the concept tailored to replace the welfare state is the one of the enabling state (Gilbert 2004) which means the demise of state-sponsored care and social protection. Instead of decommodified rights and free and unconditional access to rights, the enabling state or the activist state is expected to provide "public support for private responsibility" (Gilbert 2004: 43). The state is called to act as a lever to facilitate market integration rather than rectify "the play of market forces" (Briggs 1961: 228), even with regard to specific provisions that cannot be appropriately provided by the market for engendering shortages and inefficiencies.

This shift is not trivial, quite the contrary. Universal and public provision implies that the state is responsible for delivering services and goods for society as a whole, whereas private provision corrupts the idea of public goods to which all citizens are entitled. Rather than rights, under this new rationale, people are concerned with entitlements whose access will be guaranteed provided they make an effort to fulfill their obligations, which are now marketed as the "freedom to make choices." It makes the dangerous supposition that asymmetries of power and information, to say the least, do not exist in market societies, which undermines social cohesion. Moreover, this coercive dimension (veiled in an emphasis on self-responsibility) re-legitimizes selectivity as a form of social regulation, renewing practices that prevailed in times where inequality was tolerated and justified as a result of different levels of rewards determined by different levels of individual effort and labor.

In systematizing the main features of the enabling state as opposed to the welfare state, Neil Gilbert (2004) points out privatization versus public provision, promoting work rather than protecting labor; selective targeting instead of universal rights, and solidarity of membership (shared values and civil duties) versus solidarity of citizenship (shared rights). It is noteworthy to stress that the idea of rights is supplanted by that of duty, which casts fulfillment as a precondition to reward. Rewards, not rights, constitute the touchstone of the neoliberal approach to social protection. Gilbert's framework nurtured the debate opposing residual welfare states to universal welfare states in Western countries. De-commodification was to contract in order for new markets to expand. The fiscal crisis fuelled arguments in favor of pro-market strategies.

1.4. From Equal Citizens to Equal Consumers, and from Risk-Sharing to Individual Risk-Taking

In parallel, a similar pro-market oriented approach arose, this time tailored to respond to the necessities of developing countries, challenged by growing poverty and several adverse effects of globalization and the debt crisis therapy imposed by the Washington Consensus. Under the auspices of the World Bank, this social risk management strategy was framed and launched (Holzmann and Jørgensen 2000) in order to uphold market forces by reducing the magnitude of subsistence patterns, poverty levels, non-monetary activities, in sum by spreading market norms and rationale, via commodification. This framework endorses a set of public initiatives that range from guaranteeing means-test safety nets for the extreme poor to easing access to financial markets, through diverse forms of micro-insurance and micro-credit for those slightly better off. According to Robert Holzmann and Steen Jørgensen, this strategy "consists of public interventions (i) to assist individuals, households and communities better manage risk; and ii) to provide support for the critically poor" (Holzmann and Jørgensen 2000: 6). The scope of state intervention is undoubtedly and sharply tightened.

On the one hand, a better way to manage risk would be by enhancing private insurance schemes, delivered by the financial sector, in order to tackle unmet demand relating to medical services, or unexpected and costly contingencies such as funerals, etc. Private micro-insurance would compensate for the lack of savings experienced by poor and vulnerable households and for the state's ineptness. At the same time, it would also boost the banking system in areas where it remains relatively weak, for markets are incipient. A large variety of persistent "needs" were to be addressed by the banking system and other correlated institutions (brokers and other private providers, such as cooperatives,[7] etc.) now currently in charge of supplying the needy with the right financial product or service. On the other hand, microfinance and microcredit programs designed to take over from more informal and irregular schemes would deepen monetary relations and expand markets in all realms and dimensions, particularly in relation to entrepreneurial activities. As is known, salaried relations are far from prevalent among the poor and the most vulnerable in the developing world (Lavinas and Martins 2013). The share of salaried wage relations tends to increase with average earnings, curbing informality. It is then necessary, in times of labor market flexibilization, to promote working alternatives for those who are very unlikely to enter the salaried world and enjoy entitlements derived from occupational status. For these, microfinance is the most appropriate tool to lift them from subsistence levels, allowing risk-taking, either

7 The ILO among other UN organizations has sponsored small-scale micro-health insurance in the developing world, especially where public provision failed.

in the agricultural sector or as an urban merchant or in micro-business. Risk-sharing strategies suck as social insurance or universal provision are to be replaced by financial derivatives.

But the critically poor do not fully fit into this scheme, since their income deficit is so dramatic that it hampers any chance of adopting private micro-insurance on an individual basis or applying for microcredit loans to open a business. The severe destitution of the worst off is then tackled with cash transfers conditional on the acceptance of new regulations and responsibilities in accordance with the demands of an emerging form of capitalism (Fraser 2009), which is now global. Women, especially mothers, are made responsible in ensuring compliance with the conditions imposed by a newly-packaged array of programs. As the nominal beneficiaries, they must obey the rules and optimize scarce resources. Yet again women are held accountable (Molyneux 2006; Chant 2007; Lavinas et al. 2012; Hulme and Mosley 1996) for managing scarcity, in a clear reproductive role with reaffirmation of a subordinate standard of gender relations inside the family.

Rather than risk-sharing on the grounds of a single status, that of citizens, the core idea is that of individual responsibility (Gilbert 2004), which entails obligations duly fulfilled. Individual responsibility results in individual entitlements narrowly redefined as empowerment through the market (Schild 2013). It is through the notion of individual responsibility that selectivity is restored from the perspective of the deserving and the undeserving, breaking with the rationale of universal and unconditional rights.

It is not a coincidence that, through the strategy of social risk management, a focus of the financial sector for anti-poverty measures arose as a quasi-panacea in the developing world, where the expansion of capital markets was raising serious concerns. One may recall that in the mid-1990s, markets for credit and insurance targeted to the poor were nearly nonexistent. Then incipient, they relied on experiments such as the Grameen Bank (India), BRAC (Bangladesh Rural Advancement Committee), BancoSol (Bolivia) and other similar financial interventions (most modeled on the Grameen Bank), all launched in an era of severe structural adjustments and growing poverty. A very robust and consistent comparative study carried out throughout the 1980s and 1990s by David Hulme and Paul Mosley in 1996, long before conditional cash transfers turned out to prevail as a poverty reduction strategy, points out that microcredit schemes (1) have had, at best, a marginal impact in overcoming structural factors that reproduce poverty, such as job constraints (these constraints are instead lifted by a more dynamic economic environment); (2) may increase exposure to risk, deepening vulnerability, and therefore raising the likelihood of a crisis aggravating poverty; (3) did not guarantee security in old age providing a quasi-pension income benefit (the poor continue to be reliant on families and neighbors); (4) could not been considered a step forward in empowering women (higher female participation rates in credit loans do not automatically reflect gender empowerment, quite the contrary); and v) had been ineffective in reaching the core-poor, instead mainly benefiting upper- and middle-income poor households, a minority more likely to cross the poverty line. In sum, credit impact in reducing poverty has been quite modest, to say the least. In addition to claiming that "there has been a gross exaggeration in that part of the literature on credit schemes" as a way of alleviating poverty (Hulme and Mosley 1996: 134), the authors assert that promotional strategies of poverty reduction focusing on access to credit loans in order to persistently raise low incomes and lift families out of poverty require, to be successful, "other social security mechanisms – employment guarantees schemes, food-for-work programs, drought relief, indigenous welfare practices" (Hulme and Mosley 1996: 134). And they conclude that, on top of developing a second wave of innovation to provide new financial services to the poor, it is indispensable to couple this promotional strategy with a protective one. This move forward was decisively achieved with the consolidation of conditional cash transfers. This safety-net modality provided the cushion not only to cope with indigence but also to reduce unreasonable risk-taking on the part of the poor finally dragged into the financial markets.

As a consequence of a renewed and broader approach on how to shape financial services to the poor, training programs and technical assistance for the most vulnerable (Lavinas and Ferraz 2010) about the basic rules of borrowing and managing loans have proliferated in the developing world, run by NGOs and public institutions, in praise of microcredit (Banerjee and Duflo 2011). In Latin America, for instance, talks and short-term courses on the subject have been often assigned to recipients of safety net programs, tying them together. A new term has been coined, namely the "bankarization" of the poor which means bridging the gap between a huge unmet demand for cheap and short-term loans and the financial system, which has long remained closed to those lacking collateral. The current phase of financialization of the world economy forced a reform of capital markets, in particular the credit sector in middle income and low income countries. Incomplete markets, or missing markets, as they are known, were improved to provide special loans and reach specific groups that were bankless (which means they were not integrated into the formal financial sector). What could foster self-responsibility further and deeper than increased individual borrowing?

It is significant to call attention to the pivotal role assigned to cash transfers in this context. Instead of being one intrinsic and entrenched dimension of social protection designed to deliver whatever necessary to reduce vulnerability and prevent destitution, income transfers targeted to the poor are turned into the central ingredient used in the retrenchment of welfare capitalism. Not only are they tailored to tackle poverty, but they are also intended to extend and boost commodification. In this way, they represent a sharp break with the long-established goals of universalism and de-commodification.

But why is poverty such an important target? Poverty is a priority under the new market-oriented social protection regime because it presents a major threat to the expansion of global markets – the overriding form of contemporary capitalism – for it heightens market failures and negative externalities. Neo-liberal policymakers and theorists are very much concerned by poverty, not for reasons of social justice or equity – which would entail surmounting the status divide reproduced by double standards – but primarily for reasons of economic efficiency. As emphatically claimed by an IMF representative in a Friedrich-Ebert-Stiftung (FES)/ILO Seminar in Berlin, “there is no vibrant economy if there are no consumers.”[8]

We therefore witness a reconfiguration in terms of combining new means for prosperity with search for security. Market societies now under the hegemony of the financial sector assign a distinct role for welfare capitalism, in which assets, stocks, credit, and capital devices prevail as the generators of corporate profit and social accumulation. This is a break from the traditional capital-labor relation that dominated the golden era of manufacturing capitalism which demanded protection against certain risks (a social contract) and unpredictable events (a common lot) through public risk-averse pooling strategies based on solidarity and managed by the state.

In the current finance-led accumulation regime, labor relations have been flexibilized and profits are not expected to be shared even marginally. Redistribution is thus at stake from within the system´s rationale, under the argument that tightening labor cost and capital gain tax exemptions are the present-day mechanisms to foster competitiveness and offset various trade-offs[9] that may undermine the likelihood of national success in the global economy. There is little room for redistribution through wages and earnings, in particular in the most developed economies, which is the prime reason for growing inequality in the present time as so many authors have recently claimed (Hacker and Pierson 2010; Stiglitz 2012; Galbraith 2012; Wilkinson and Pickett 2010). Actually, there is less room for redistribution per se since tax cuts lead to curtailing social spending.

8 Quotation from Elliot Harris, FES-ILO Seminar on the Social Protection Floor, Friedrich-Ebert-Stiftung/ILO (Berlin, November 2012).

9 Even within the new regime, different fiscal and taxes regimes, exchange rate regimes, and institutions such as the presence of a national minimum wage can be identified in larger or smaller welfare states.

And if companies delocalize looking for lower production costs and a more advantageous tax system to the developing world, one may expect that earnings and wages in those societies newly integrated to the market will certainly rise but up to a certain limit pressed between a very low bottom as point of departure and a ceiling that is still fairly low compared to usual average earnings in advanced economies.[10] It is here where credit and access to capital markets become the lever to promote and deepen the integration of the worse off into the market society. Credit loans, new financial products and the like become the key elements to foster growth, signaling that the social mode of regulation has been transformed so as to capture the poor, the indigent, and the vulnerable that far outnumber the very rich and the middle class. In a vibrant economy all must share the status of consumers. The new universalist goal is therefore not equal citizens but instead equal consumers. And as for other consumers, even the very poor are supposed to be able to increase their consumption through credit, which is no longer tightly tied to rising wage earnings.

In parallel, despite greater unpredictability in the world economy, the ideology that dominates the present time is that the state became unreliable and inept at delivering services in a scope capable of managing the accelerating evolution of changes and risks, a critique which directly leads to policies that hold individuals, not the state, responsible for managing risks. To better prepare those who are very likely to be immediately plagued by economic downturns to survive through uncertainty, banks, private insurance, and the financial sector as a whole appear as the new “providers of means” suitable for the task, since the state can no longer be trusted. They enable, or empower (in the cynical vernacular of its proponents) those who used to be excluded, forgotten, and disqualified. And in so doing, rather than a process of dis-individualisation (Rosanvallon 2011) that paved the way towards the consolidation of welfare states, the move is towards a remodeled relationship between one´s social condition and the trajectory chosen, breaking with principles of public risk-sharing in favor of self-responsibility and risk-taking.

It is not accidental that on both sides of the neoliberal reform spectrum that hit Latin America in the 90s – either through individual private accounts fully-funded as means of pensions or access to credit loans for those with no or little collateral to overcome poverty – the rationale was not only market-oriented but notably capital market-oriented. Strengthening Latin American stock markets through the privatization of public pension systems (World Bank 1999) and expanding the financial system through mass consumption founded on access to credit for those at the bottom of the

10 Bértola and Ocampo (2012) have compiled data which prove that many gaps between Latin American countries and the developed economies have continued to deepen over the last century, despite the fact that Latin America has displayed high rates of economic growth.

distribution with sharp income deficits are two sides of the same coin, especially when decommodified social spending is cut down. Both providing income security for the elderly, and enabling the worst-off to escape poverty, are strategies to be achieved through capital markets. Such a rationale is radically opposed to decommodification, for decommodification undermines the scale and scope of capital markets as the new welfare providers through private insurance on one hand, and private loans (for any purpose) on the other. This process of commodifying life from cradle to grave, including now those with nearly no or few resources to have access to financial markets, stands out as the antithesis of the Beveridge model of social protection. Fraser (2012: 1) has genuinely summarized this trajectory by phrasing it as "commodification all the way down."

To what extent is commodification being propelled in Latin America through the adoption of conditional cash transfer programs, which became paramount in the region over the last decade? Are they capable of establishing a new pattern of redistribution as a poverty reduction strategy? Are they complementing previous social insurance schemes that were deficient, and, thus, adding to the consolidation of comprehensive welfare regimes in Latin America? For, as we may see in the following section, monetary income transfers constitute, after a period of retrenchment due to privatization experiments with social insurance schemes, the growing bulk of social protection systems in Latin America.

2. Safety Nets in Latin America: A Breakthrough

2.1. Reforming Social Insurance and Fighting Poverty

It might be worthwhile to very briefly outline the major characteristics of social insurance schemes[11] prevailing in Latin America under the so-called period of state-led import substitution, which lasted from the 1940s to the 1980s, even though some contributory benefits were instituted long before. In effect, Argentina, Brazil, Costa Rica, Chile, Cuba, and Uruguay, the pioneer countries as depicted by Mesa-Lago in his vast and outstanding intellectual work on the subject, introduced work injury, disability and sickness benefits relating to temporary incapacity very early on, influenced by the Bismarckian model. Despite being one of the very first modalities of social policy provision in the region, these contributory pension schemes have long remained poorly

11 We share Huber and Stephens's (2012) concerns in defining Latin America diverse social protection schemes in their embryonic phase as social policy regimes, and thus averting the use of welfare states, a category that does not apply for one reason mainly: because in their beginnings these regimes were neither comprehensive (incorporating different dimensions of risk-aversion, poverty alleviation, etc.) nor reflexive (social policy was as not seen as a mechanism to boost the domestic market and sustain quasi-boom cycles of economic growth).

managed, institutionally weak, and financially fragile. Notwithstanding, little by little the Latin American working classes came to back up and to rely on these programs as a means of guaranteeing smooth consumption in their old age.

Huber and Stephens (2012: 29) recall that "the leading role in social policy formation was played by the populist leaders" in their attempt to break with the political and economic dominance of the agrarian oligarchies and build modern nation-states, backed by emerging urban classes. In this process of institution-building, carried out by corporatist states, a focus on organized labor and social insurance schemes then prevailed, reinforcing meritocratic values, which, in turn, segregated beneficiaries. As a result, most institutional social insurance arrangements, whatever their format, were public pay-as-you-go systems, but offered limited coverage, and excluded the bulk of the population, that is breadwinners occupied either in informal activities or in the agricultural sector as well as their dependents. As summarized by Colin M. Lewis and Peter Lloyd-Sherlock (2009: 113), "distinct conditions and entitlements applied to different categories of workers and coverage was conditional on employment." The state acknowledged "wage citizenship" (dos Santos 1979; Lo Vuolo 2013a) and assured entitlements solely on the basis of regular occupational status. Therefore, contributory schemes remained a privilege for few workers and corporate groups. Even today, across the region, an average of only 43% of households have some sort of contributory protection (ECLAC 2012: 30), the majority concentrated in few countries.

In Brazil for instance, under the military dictatorship, concerns with growing inefficiencies and the need to expand the financial base of the system led to an administrative reform to technically improve its management and also extend social protection to other non-salaried groups, provided they made contributions on a regular basis. In spite of strengthening the insurance based scheme by incorporating voluntary contributors, therefore altering the mandatory principle of the Bismarckian model, benefits continued to vary according to the working status of each category, reinforcing stratification bias and inequalities among the beneficiaries. This risk-sharing model, though somewhat extended, failed to standardize benefits, and to universalize rights and common patterns to enable access to greater well-being. By the end of the 1970s, nearly all Latin American countries enjoyed some sort of contributory social insurance systems (Mesa-Lago 2007). As Camila Arza puts it, "among formal workers, retirement became institutionalized as a legitimate stage in the lifecourse" (Arza 2013: 87).

Along with public education, pension and retirement benefits represented the vast majority of social spending. Healthcare was mostly provided through unions and other worker's organizations but only for contributors to the system. The rest of the population made do with either out-of-pocket private services for the wealthiest, or philanthropic and charity attention offered occasionally by churches and other religious associations in emergency cases. Social welfare was not formally instituted as a state responsibility, except when it came to addressing and reprimanding deviant behaviors (juvenile delinquents or single mothers) through corrective and coercive targeted programs.

Prior to the 1990s, poverty alleviation programs in Latin America were restricted and usually provided temporary relief through milk programs and foodstuffs (Lavinas and Garcia 2004). In Mexico, for instance, food subsidies were channeled via the Program Tortibono, with no specific targeting, guaranteeing access to tortillas de maize. These programs frequently served as a political currency for electoral purposes, fostering clientelistic practices and backing populist coalitions. Given that poverty has long been equated with hunger and malnutrition, the common approach to poverty at that time was to alleviate food insecurity in contexts of dramatic shortages due to crisis in the supply side, high inflation, or humanitarian risks.[12]

However, the decisive push towards the adoption of safety nets resulted from the severe fiscal and economic crisis of the 1980s and its adverse social impacts on most countries in the region. The 1990s inherited the dramatic consequences of high inflation rates, low growth, high unemployment, decline in real minimum wages and average earnings, widespread informality and the remedy that followed, that is the implementation of structural adjustment policies which compounded the level of destitution and poverty. According to ECLAC (2012), at that time, Latin America witnessed a significant upswing in poverty and indigence rates: the poverty rate went up from 40.5% in 1980 to 48.4% in 1990, including a rise in indigence rates from 18.6% to 22.6%. This downward trend threw an additional 68 million people into poverty. In 1990, the number of those living in poverty reached 204 million people compared to 136 million ten years before.

Rosemary Thorp (1998) underlines the fact that the shift towards free market policies resulted in growing deregulation, provoking “rises in food and some public utility prices [with] serious consequences on social welfare” (Thorp 1998: 225). Food insecurity was severely aggravated by market liberalization as well as new trade agreements that profoundly disorganized subsistence crops (the case of Mexico after the creation of NAFTA is outstanding in this respect). In many countries, peasants and family farmers had their subsistence and productive activities rendered unviable by land counter-reforms that reinforced the conservative modernization of the agricultural sector,

12 One major historical reform – agrarian reform -- that could have remedied and redressed starvation, undernourishment and extreme poverty in several Latin American countries has not been truly appreciated, although gaining momentum from the 1990s onward. Although meaningful in the agenda of redemocratization, it has not been seriously considered at the policy level.

concentrating land and dragging the peasantry into market relations where they were supposed to compete. Thorp consistently adds that "capitalist farmers benefited from the liberalization of land, labor and financial markets, the further opening of the economy to international competition , the new drive to exports, and the withdrawal of supportive measures for the peasant sector" (Thorp 1998: 236). Moreover, in other countries, like Ecuador, cuts in subsidies that used to apply to gas, oil, and medicine provoked a salient downfall in living conditions (Minteguiaga 2012). The region also witnessed important shifts in national tax systems, with salaried employees' personal income tax benefited from deductions and several tax breaks, while sales and consumption taxes which affected all segments of society rose, to the detriment of the most impoverished.

It then became urgent to provide a cushion to deal with the consequences of the process of economic liberalization that harmfully affected the labor market and obstructed changes aiming at improving the performance of the social protection mechanisms available. Moreover, cuts in social spending, due to the debt crisis, aggravated the situation even further (Mesa-Lago 1997). Per capita social spending fell 10 percent in real terms in the course of the 1980s, income distribution worsened, open unemployment surged and informality exploded (Thorp 1998: 220-221). For Luis Bértola and Jose Ocampo (2012), in the early 1990s, primary spending (i.e., excluding interest payments on public debt) was as low as 13% of the average regional GDP (Bértola and Ocampo 2012: 233). The ensuing social security crisis strengthened the argument for structural reforms, particularly in social insurance schemes pointing towards a broader participation of the private sector, although in divergent degrees. (Mesa-Lago 1997: 497).

Even though the World Bank and the IMF have played a leading role in imposing the privatization of public social insurance in Latin America,[13] via conditionalities tied to credit loans, up through the mid-1990s both multilateral institutions repeatedly opposed providing any amount of cash to the needy, in particular in middle income and low income countries. They took issue with this course of action on the grounds that the poor are unable to make efficient choices (in kind benefits – almost exclusively foodstuffs - would therefore override their preferences and ensure good consumption) and that governments in the developing world have no fiscal capacity to guarantee such safety net programs.

13 Authors like Huber and Stephens (2012: 41) acknowledge that social policy developments in Latin America by the end of the last century were affected by the actions and ideology deployed by the IMF and the World Bank.

This approach changed in the wake of the globalization process of the 90s, leading these organizations to re-conceptualize the role of social policies for the developing world. Conditional cash transfers were to play a central role in this swing.

In short, two distinct strategies, though not really constituting a model, at least in the beginning, persisted. On one hand, the public pension system was to be privatized as an incentive to enhance the take up rate of the elderly eligible for pensions, and reduce the public fiscal burden derived from shifts in demographics (population aging) coupled with low growth and high rates of informality and precariousness among the region´s working population.[14] The overhaul of the pay-as-you-go system in favor of fully funded private accounts would absolve the state from the responsibility of coping with the burdens of a lingering legacy: the structural heterogeneity of the Latin American economy and society (Pinto 1970).

On the other hand, the “enabling” state would play a greater role in enhancing market rationale along with reducing poverty and indigence, given that high levels of severe destitution represented a threat to market liberalization. Who would pay for the new services to be delivered by the private sector, such as pensions, health, electricity, water, communication and other public utilities which made up the bulk of the privatization process in Latin America? One should keep in mind that Latin America became a leader in privatization in the 1990s (Thorp 1998). Everything was then commodified, and in many countries conversion to the new neoliberal paradigm was abrupt and radical. Some few countries, by contrast, resisted.

Chile was the precursor of this radical process of market liberalization in all respects, since such ideas materialized back in the 1970s under authoritarian rule. It was the pioneer country both in exclusively adopting a compulsory pension system of individual capitalization, administered by private profit institutions[15] and in implementing the first regional safety net scheme, named Subsidio Unitario Familiar, in 1981. A monetary stipend of 6 USD per month was granted to indigent mothers with children of school going age, conditional on school attendance, pregnant women, and women involved with care responsibilities for disabled people. It was an inexpensive and extremely small scale cash transfer program, since less than one thousand beneficiaries were reached for a total cost of 0.09% of the GDP. With regard to their new pension regime, the Chilean system of private accounts was expected to increase the average value of retirement benefits, covering a higher share of the population aged 65 and over. The

14 ECLAC and Thorp (1998) display strong evidence to support growing informality in the 1980s in the region.

15 The public pension system ceased, except for the military who continued to be entitled to retirement benefits.

greater incentive to achieve this aim, beyond coercion, relied on the assumption that individuals, either formal workers or self-employed, would be eager to make regular contributions to personal accounts, rather than contributing to a general public system. The future was to show that these assumptions did not hold.

Argentina also experimented in this area, privatizing part of the public social security system in 1993 (pensions, initially, and some public facilities, as water, later on). A mixed public-private pension system of fully funded individual pension accounts was created under the same rationale of increasing retirees' coverage. The first safety net program[16] applied by the Argentinian government was introduced only in 1997 – the Programa Nacional de Becas Estudiantiles. It targeted adolescents from poor backgrounds, yet again conditioned on school attendance.[17] Later on new modalities of conditional cash transfers appeared as an attempt to cope with the fallout of the end of the convertibility regime. In 2002, the federal government launched Programa Jefes y Jefas de Hogar Desocupados, a workfare program in Ruben Lo Vuolo's terms (2013b: 53), since "households were assigned a task, whether in service training or in-job assignment in a productive activity. Coverage was huge in relative terms but impact on poverty and unemployment was not relevant."

Bolivia did not escape the wave of liberal reforms and underwent profound and unprecedented changes in various sectors, let alone in its low-coverage and very ineffective pension program. In 1996, the latter was completely privatized, giving rise to Bonasol, a collective capitalization fund, which was expected to finance future retirement pensions. The private scheme was intended for the population aged 65 or over, while the average life expectancy of Bolivia at that time was only 59 years old. The mismanagement of the system and persisting structural problems relating to finance hampered its advancement. Its major achievement was to attract foreign investments to the country. The number of recipients, while presumed to grow, plummeted drastically. Poverty soared to peaks: in the course of the 1980s and the 1990s, the incidence of poverty persisted in levels above 60%.

Mesa-Lago (2007) stresses the fact that in Mexico, as a consequence of the privatization of social insurance, the share of the elderly granted a pension benefit dropped from 37% in 1997 to 30% in 2002. By the same token, the proportion of regular salaried

16 One should point out that social assistance cash transfers became widespread in the developing world in the 1990s, well beyond Latin America, as indicated by Leivering (2009). Uzbekistan, China, Zambia had adopted them at that time, and were followed in the 2000s by South Korea, Mozambique, and other countries. No common norms apply, for some remain rudimentary schemes, whereas other are better implemented and managed. Scales vary, but the rationale is the same.

17 The program´s cost amounted to 0.03% of GDP and it benefitted only 350,000 children.

workers and also informal ones who paid contributions to private individual accounts fell significantly, to 39.3% in 2003 as compared to 63.4% in 1998, reflecting labor market downturns. Lack of protection grew along with poverty rates. The Programa Nacional de Solidaridad or Pronasol initiated under Carlos Salinas in 1989 was, then, replaced by Progresa – Programa de Educación, Salud y Alimentación (1997) – which was sold as a model for addressing rural poverty and gender schooling gaps through conditional cash transfers (CCTs). It was urgent to extend the coverage of safety nets to provide at least some modest relief. The third generation of CCTs in Mexico was brought forward by Oportunidades, whose major accomplishment was to expand even more the program coverage, reaching 5.8 million families with an average monthly transfer of 65 dollars per household (Yanes 2013).

Likewise Chile, Argentina, Mexico and Bolivia, other Latin-American countries (Colombia, Peru, Uruguay, and El Salvador amidst others) followed the World Bank reform prescriptions (Palacios 1996) and introduced partial shifts endorsing privatization, liberalization, and the consolidation of stock markets. One may recall that these reforms aimed at expanding welfare coverage, by ensuring fiscal sustainability and developing capital markets, the latter considered relatively small and feeble. Yet, as the World Bank recognized ten years later in another position document, Keeping the Promise of Old Age Income Security in Latin America (Gill et al. 2004), the results from this wave of privatizations fell far below expectations. These structural reforms all failed to expand compliance and improve coverage rates. And as poverty grew, especially among the elderly, partially due to the dismantling of previous public pension regimes, safety nets had to develop to offset deeper income deficits and growing vulnerability. John Sheahan properly argues that Latin American problems did not emerge with liberalization, although some have been exacerbated under economic liberalization and concludes: “liberalization has clearly not been a remedy” (Sheahan 2002: 44).

2.2. Counter-Reforms: Back to Public Provision of Pension Benefits

Despite great transformations in the incomplete and predominantly regressive social policy systems in the region, which led “many politicians and technocrats [to view] the ‘liberal agenda’ as a way to reconcile demands for greater fiscal discipline with pressures to address the needs of the previously excluded groups” (Haggard and Kaufman 2008: 265), the result of the liberal reforms when achieved made it evident that the major challenges remained relatively untouched and awaited a more effective solution. This led to a second wave of reforms around the year 2000, this time committed to public provision, progressivity, equity and social inclusion. These counter-reforms[18] were championed by new political leadership and popular coalitions devoted to a democratic social agenda and to the return of economic growth. In most Latin American countries where liberalization and privatization reforms prevailed, the reversal took place: the provision of certain goods and services became mostly public again, and fiscal revenues were also reintegrated to the financing structure of the national social protection system.

The novelty of the 2000s, then, is the context of counter-reforms in order to muddle through the negative effects of the liberalization process and the deterioration of the social insurance coverage in many Latin American countries after the finance-led reforms of the 1990s.

After 20 years of a fully funded pension system, Chile passed a pension reform bill in 2008, under President Michelle Bachelet, which reintroduced a non-contributory, state-financed solidarity pillar, soon incorporated into the contributory pension system. Arza asserts that "Chile adopted a reform which was at the same time path dependent and innovative. It maintained individual accounts and at the same time introduced a new pension pillar to guarantee better coverage for the elderly with insufficient contributory records and/or low pension savings" (Arza 2013: 95). Successful counter-reforms can be also observed in Argentina, where the second pillar of the funded pension regime was renationalized in 2008, contributing to a 23 percent rise in pensioners' coverage (from 62% in 2005 to 85% in 2010) for those 60 or over (Arza 2012). This was made possible by a moratorium granted to the elderly who failed to comply with their contribution records. They were given a second chance to pay back their pending contributions but at the same time, in doing so, were entitled to a pension benefit, if all requirements were met, as well as health insurance. Millions were brought back into the system as beneficiaries.

Bolivia, so dramatically affected by the structural adjustment of the 1990s, stands as the sole country in the region to set forward a universal non-contributory pension benefit, namely the Renta Dignidad. In 2007, Renta Dignidad took over Bonasol. It is guaranteed as a right of citizenship, on a monthly basis, to those 60 and over, irrespective of household income level, previous working record, contribution or any other criterion of eligibility. This reversal is a turnabout as radical as the complete

18 Counter-reforms here designate the return to public pay-as-you-go contributory systems and/or the creation of public non-contributory pensions, a step already taken by Brazil since 1988. Alongside the return of the public provision, then, one sees considerable redistributive effects on the basis of rights, and not obligations.

privatization Bolivia underwent in the 1990s, the distinction being that it now extended coverage to 97% of the eligible population (Arza 2013).

Contrary to countries that adopted liberal reforms, and had to undertake counter-reforms, Brazil maintained the comprehensive social protection model adopted by the 1988 Constitution. Brazil is one of the few countries in the region to discard structural reforms in its pension system in favor of parametric modifications in its public pension system designed to enhance homogeneity between regimes (one for civil servants and another for workers from the private sector). Despite strong pressures for its dismantlement, the persistence of the public dimension of the health and the pension system in Brazil has been assured by the 1988 institutionalization of Brazilian Social Security. The fact that social security integrated contributory public pensions, basic pensions for all rural citizens, universal public health for all, and means-tested welfare schemes for the needy, backed up by a specific budget funded by exclusive taxes and contributions, was a determinant factor in its successfully protection from liberal structural reforms. In fact, the social security system instituted the principle that the lowest social insurance benefit should be tied to the value of the current minimum wage. This principle, which applied to urban and rural pensions, radically improved living conditions of the elderly in rural areas.

ECLAC's 2012 estimates support these encouraging trends: the share of the Latin American population aged 65 and over enjoying a pension benefit rose from 34% in 2000 to 40% in 2009, an explicit and irrefutable signal of the positive outcomes derived from the public counter-reforms of the 2000s, overturning the neoliberal model of the 1990s.

2.3. Conditional Cash Transfer (CCT) Programs: An Overview of Latin American Examples

2.3.1. Mexico and Brazil: Pioneers in the 1990s

The shift in favor of monetary income transfers to alleviate poverty was put forward in the context of these liberalizing reforms and in the light of the good outcomes brought about by the incoming assessments of decentralized cash transfer programs conducted both in Mexico and Brazil. These were two Latin American pioneers in extending minimum income support schemes on a wide scale, in the context of a developing country.

However, it was only in the wake of the newly progressive governments democratically elected in the 2000s that these schemes were definitely bolstered throughout the region. Policymaking was strengthened in the social arena thanks to cross-country cooperation alongside multilateral organizations eager to promote conditional cash transfers as a new paradigm to finally replace the disastrous model of “adjustment with a human face,”[19] the latter imposed on developing countries in the previous decades of economic deregulation.

There are two main objectives in CCT programs: short-term poverty relief (through income transfers) and the breaking of intergenerational cycles of poverty (via human capital accumulation). Although most cash transfer programs converge to these aims, their origins and trajectories in Latin America appear to have been driven by two different dynamics.

In Brazil these programs emerged primarily at the local level (states and municipalities), run by center-left governments elected during the redemocratization process, mainly in dense metropolitan areas. At that time, a new style of antipoverty initiatives surfaced, breaking with the anachronistic and narrow approach to destitution expressed by foodstuff programs. A national push to eradicate hunger in the wake of growing food insecurity under high inflation, launched by civil activists put poverty as a main issue to be addressed by the new democracy. Initiatives associated with the concept of guaranteed income sprang forth, introduced in the political debate[20] by scholars, politicians and policymakers committed to reforming the social sector. More than representing broad political coalitions, these newly elected governments offered those eager to participate in the new democratic life of the country the possibility to join a project to rebuild the nation from within. These were times of widespread political mobilization. In the wake of the defeat of the Diretas Já crusade, and under the decentralization principles established by the 1988 Constitution, municipalities became beacons of institutional innovation. They galvanized the idea of political change. Furthermore, successful local initiatives would illustrate the potential power of progressive forces to effectively change the country and propel them to the presidency at the proper time. Alongside Bolsa Escola, other paradigmatic initiatives like Orçamento Participativo or Programas

19 A justification for CCTs used in several reports prepared in the UN system, the World Bank and the IMF.

20 For instance, in Brazil, the idea of providing a minimum income to the poor arose in the late 1970s, but it was not until the 1990s that it became a major issue in the national debate on combating inequalities, when Senator Eduardo Suplicy of the Workers’ Party presented a bill of law providing for a guaranteed minimum income for all Brazilian adults over 25 years of age with a monthly per capita family income less than USD 140. In contrast to this approach, another form of monetary income transfer emerged, targeting not poor individuals but rather poor families with school-age children. This initiative, shaped by economist José Márcio Camargo, provided a monthly stipend equivalent to one minimum wage to all families, regardless of income, provided that their children were enrolled in the public school system. The argument for this targeted form of monetary income transfer is based on the understanding that limited schooling was the factor with the greatest explanatory power in the intergenerational reproduction of the vicious circle of poverty.

de Segurança Alimentar to combat hunger and inflation popped up across the country. Many were awarded prizes and were labeled as “a new way of governing” (Trevas et al. 1999).

By the end of the 1990s, about one hundred municipalities had implemented a scheme inspired by the pioneering experiment established in Brasilia in 1995, the Bolsa Escola. The idea was to provide a cash transfer tied to school attendance by poor children ages 7-14. This proved particularly attractive because, in addition to reducing poverty, this scheme was very likely to increase educational attainment (fighting drop-out rates) and contribute to the elimination of child labor (Lavinas 2006). Soon, Bolsa Escola became something of a model in Brazil, for three main reasons. First, the poverty threshold to identify potential beneficiaries was established at a decent level (per capita family income of half of a minimum wage). Secondly, the benefit was a flat rate that amounted to a minimum wage, a significant sum by any standard, especially given that poverty had never been addressed before by any regular anti-poverty policy. Finally, the take-up rate was surprisingly high: about 80% of the target population was covered. The direct effect of such a well-designed policy was that the program was truly effective in lowering poverty, improving well-being and reducing drop-out rates, since children of school-going age were supposed to have an attendance rate of 75%. Moreover, rules were relatively flexible and no other conditionalities beyond school attendance were imposed. In view of the highly satisfactory results and low operational cost, safety nets conditional on school attendance spread throughout all regions in Brazil.

The Cardoso government then in power had to surrender to the evidence and decided to extend the program nationwide. This attempt at scaling up, however, was to fail. No more than 1 million poor families had been reached by the end of his term, which amounted to barely 10% of the target population. The program was also redesigned, losing effectiveness: the poverty line was set at a very low level, dismissing the bulk of potential beneficiaries; and the benefit was cut down and tailored to distinct age groups, but this sum remained very low and therefore incapable of lifting families out of poverty.

Contrary to Brazil, in Mexico, the first scheme targeted to alleviate extreme poverty and famine by guaranteeing income transfers conditional on school attendance was a top-down initiative, designed and implemented by the federal government. Progresa, created in 1997, is a national program of education, health and food benefits, aimed at improving the living standards of millions of rural families, particularly those who suffered most from the impacts of economic liberalization. The benefits paid to beneficiary families combined educational stipends along with a grant to support food accessibility. Poor families with no children simply received the monthly food grant. Progresa innovated by establishing a higher school stipend for girls, whose dropout rates happened to be higher than their male fellows, for they were often dragged out of school to help her mother with domestic work. Likewise, higher stipends were paid at higher school grades as an incentive to increase enrollment rates in middle school. Another characteristic of Progresa was the concern with healthcare. Families were supposed to make regular visits to healthcare clinics for preventive purposes (prenatal care and child nutrition). Despite the growing concern with long-term well-being, in terms of an "integral response to reverse the privations of the population living in a situation of abject poverty" (Mexico, Federal Government 1998: 67), health–related activities within Progresa amounted to only 8% of the program budget in 1999. If the Mexican government were committed to implementing a more comprehensive and integrated approach to poverty reduction, allocating such a low share of the budget to general care, especially being as there was no public provision in this case, could be interpreted as an oversight. But this did not happen by accident - quite the contrary, as time would tell.

Thus, both in Mexico and Brazil, safety nets targeted to the poor, who had been until then completely unprotected, turned out to be the big novelty in Latin America social policy, and served in turn as models for other countries in the South.

2.3.2. General Features of CCT Programs in Latin America and their Shortcomings

Some common features characterize these schemes, despite national variations (for a more detailed outlook of the variety of conditional cash transfers refer to Appendix 1): (1) the target population is defined by means-testing and other targeting criteria; (2) monetary benefits are generally paid to female spouses or mothers for their ability to optimize scarce resources; (3) benefits tend to vary according to family size; (4) they are paid on a monthly basis but subject to conditionalities (i.e. provided that school attendance, visits to health clinics, participation in community meetings and other specific requirements are fulfilled); (5) controls are imperative; (6) penalties apply in case of non-compliance, leading beneficiary families to be removed from the official register and lose their stipend.

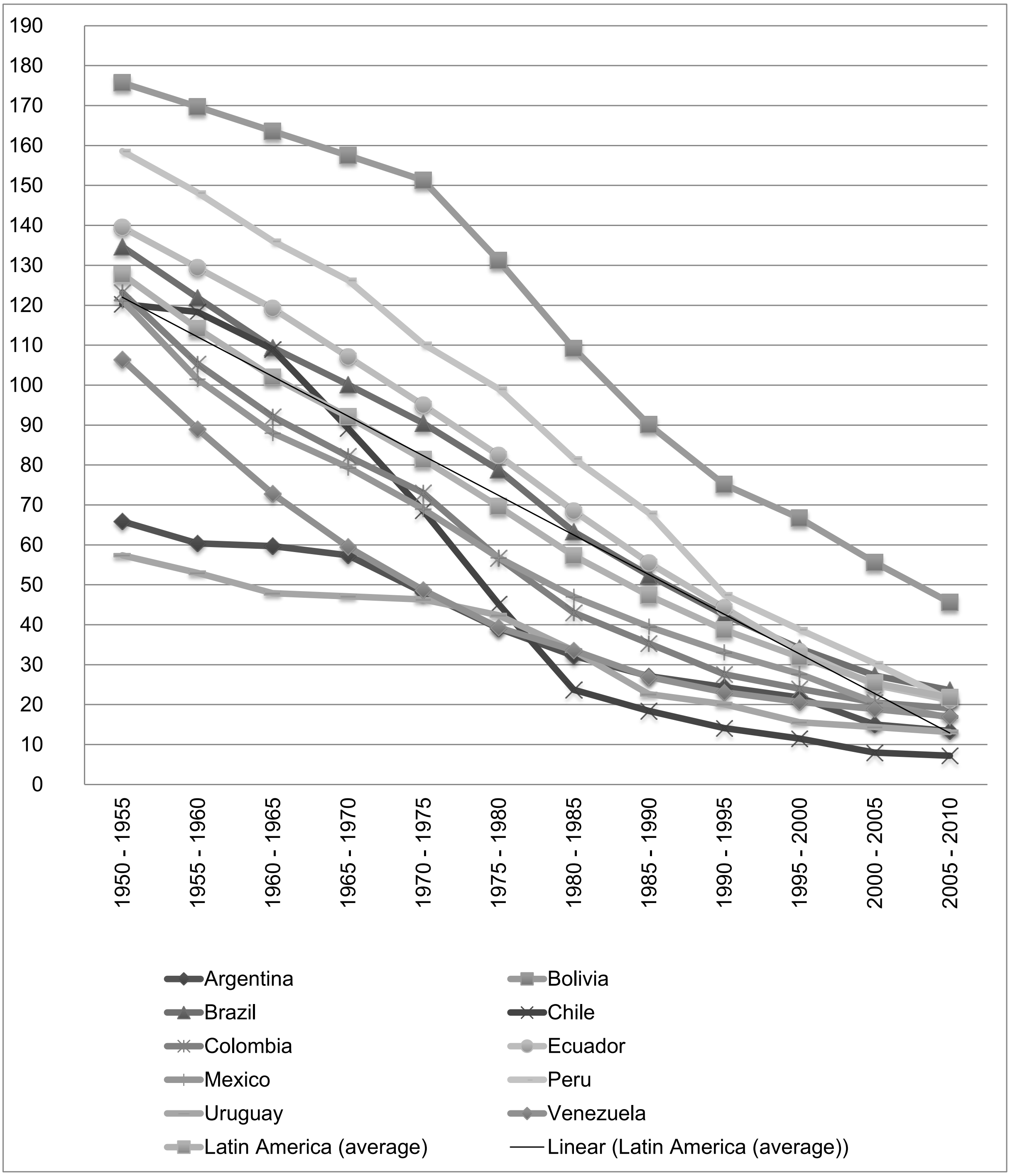
One may say that three major pieces of evidence that support the broader case for cash transfers conditional on school attendance: the intensity of extreme poverty dropped significantly; social spending targeting the most destitute increased as a percentage of national GDP, improving to some extent social indicators relating to poverty; and social demands arose instituting a new relationship between the state and the indigent on the basis of new, previously nonexistent, entitlements.

Despite some improvements over the last five decades, Latin American countries still do not perform satisfactorily in addressing inequality compared to other middle income countries. As stressed by Kelly Hoffman and Miguel Angel Centeno (2003), evidence indicates that inequality would be even more skewed if the distribution of well-being was taken into account. The deficiency of regular, sustained public investments in living conditions (education, housing, sanitation, public health) fails to sufficiently address poverty as a whole, and reflects Latin American countries' neglect of security and equal standards. The poor have long been excluded and are now confronted with making the correct choices to improve their own lives. But the weight of their problems, due to a lack of investment in social infrastructure, represents a significant challenge.

While cash transfers programs were expanding, public provision standards remained radically insufficient. Despite faint improvements in the living conditions of low income households in the region, ill-housing is endemic in metropolitan areas as well as in the countryside; inappropriate and insufficient sanitation and water supplies are the rule, affecting lives and the environment; and infant mortality rates remain higher than national income would predict, holding at an average of 21.7/1,000 for the region as a whole, with Bolivia reporting a much higher figure of 45.6/1,000 and Brazil, 23.6/1,000. Only Chile presents for the 2005-2010 period an average rate of 7/1,000 (Figure 1), close to the OECD average of 5.4/1,000. Looking at Figure 1, one observes that the early 2000s have seen not really a drop but rather a plateau.

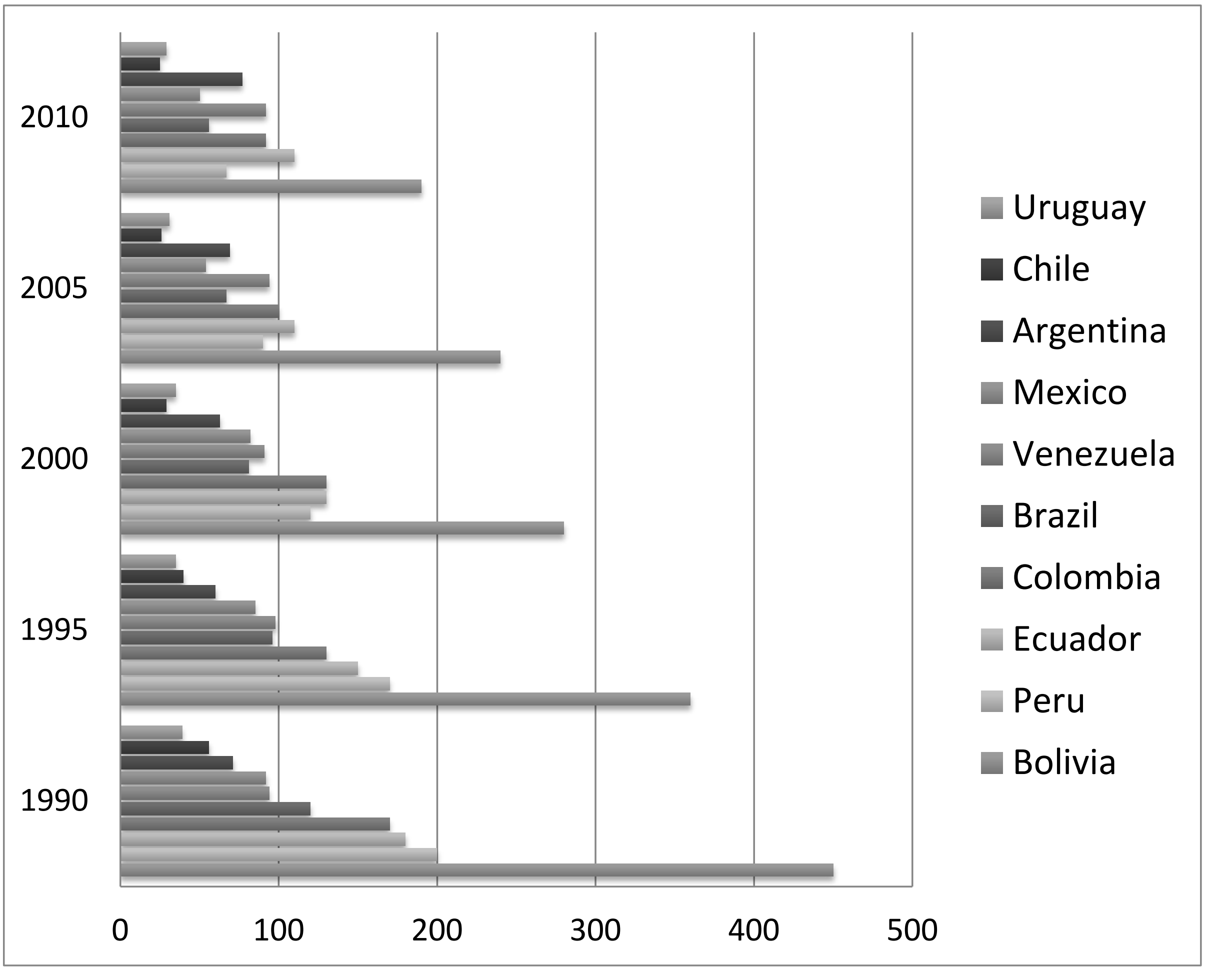
Likewise, maternal mortality rates stay very high across the region, as shown by Figure 2, compared to countries like Russia and China that have 7.5 and 15.8 female deaths per 100,000 live births (OECD 2013), respectively.

Figure 1: Infant Mortality Rate (Number of Deaths of Infants under One Year Old per 1,000 Live Births)



Source: Centro Latinoamericano y Caribeño de Demografía (CELADE) 2013.

Figure 2: Maternal Mortality Rate (Deaths of Women of Reproductive Age per 100,000 Live Births)



Source: UNICEF (2013)

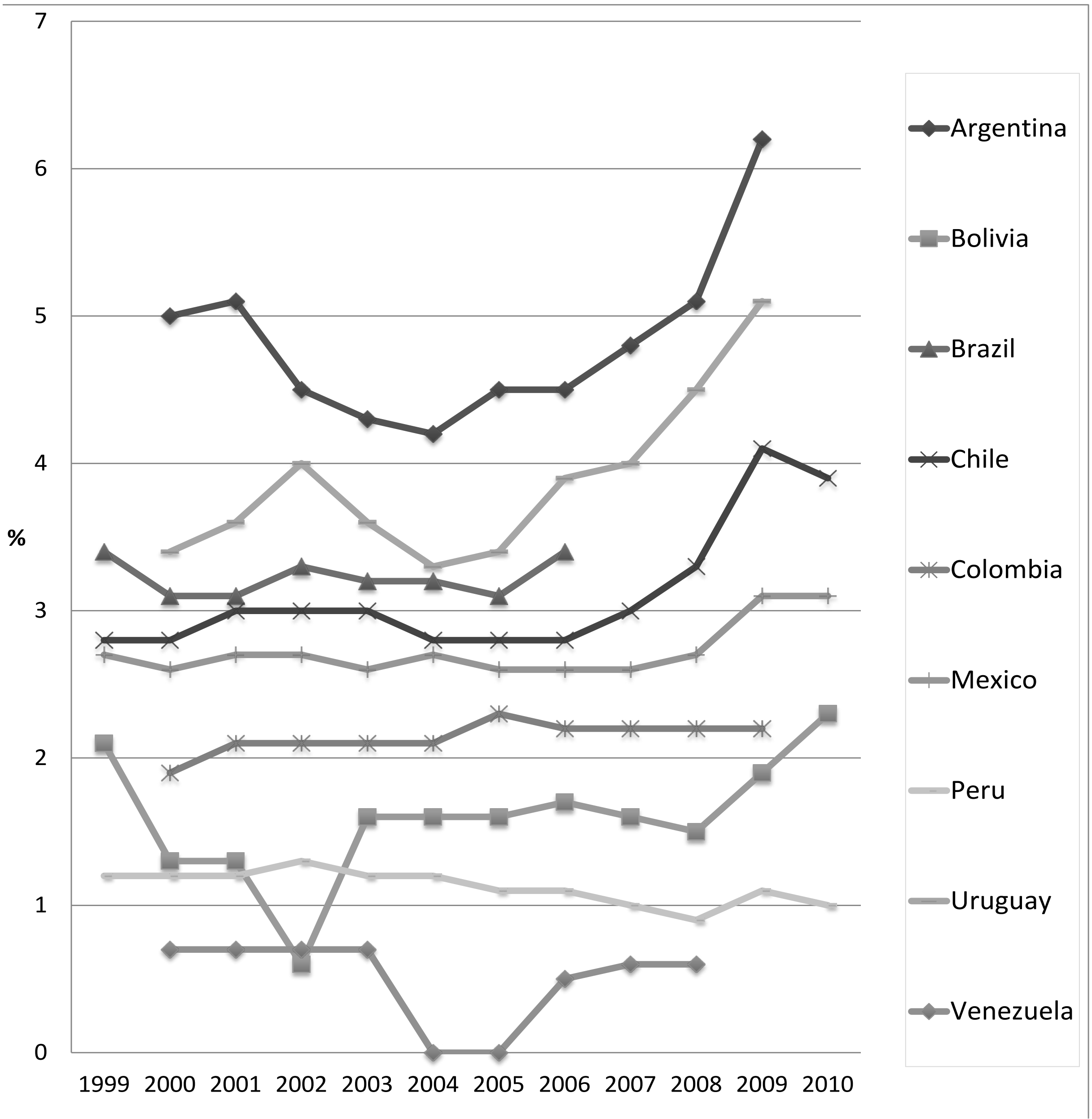
It is true that social spending rose sharply during the past decade, as reported by ECLAC (2012). In the 1980s, average social spending in Latin America accounted for 10.2% of regional GDP (Cominetti and Ruiz 1998). A number of countries, including Argentina, Brazil, Chile, Costa Rica, Panama, Uruguay and Venezuela, were ranked among those with higher spending, with an average share of 15.7% of GDP. The average per capita social expenditure in that decade was as low as USD 177.8 (Cominetti and Ruiz 1998). In 2008-2009, in contrast, social spending accounted for 62.2% of all public spending, compared with 45% in 1990. As a consequence, per capita social spending went up from around USD 300 in 1990-91 to USD 800 in 2008. The trend looks definitely very positive.

Nevertheless, this growth has been unbalanced, since, yet again, social insurance and welfare safety nets, that is, monetary benefits, are the modalities of public provision that have registered the greatest increase. In its Social Panorama 2012, ECLAC points out that cash transfers, either contributory or means-tested, “accounted for more than half of the overall rise in public social spending" (2012: 32). Of the total 6.6% increase between 1990-91 and 2008-09, monetary transfers, either contributory or non-contributory, made up 3.5%. Conversely, public spending on health has barely varied in twenty years: an increase of only 1%. And a similar trend was perceived in the category of social spending on housing and other areas, with a 0.4% record.

These figures bring out further evidence on how spending related to the provision of decommodified goods and services has been ignored in several Latin American countries since the late 1990s. Healthcare presents itself as a good example. In most countries, the rate of public spending on health stagnated or even dropped during the first half of the last decade. By the end of the second half, a reversal trend was witnessed in most countries plotted in Figure 3, except Colombia, Peru, and Venezuela, whose rates remained unchanged. Whatever the case may be, the demand for healthcare and other fundamental services left unfulfilled by public provision is subsequently offset by private household spending, reinforcing the role and prominence of private providers and the commodification of basic rights. Data released by the World Health Organization (WHO) in its "World Health Report 2005" confirms that public provision of health in Latin America is largely lacking. While the 60 largest countries in the world, from all regions, spend on average USD 806 PPP (purchasing power parity) per capita with the provision of public health, Latin American countries register a lower record of USD 261 PPP, closer to the pattern of low middle income countries and low income countries, whose average amounts to USD 142 PPP.

Moreover, this trend comes as a contradiction when one recognizes that conditionalities such as medical visits are imposed on safety net recipients with no effort made to provide a broadly available supply of public health care facilities. The failure of the state to ensure adequate provision when benefits are conditional on their use unveils a perverse dynamic where the full responsibility for the lack of better access to health care is thrown upon those supposed to be the recipients of the aid. They are then held responsible for underperforming social indicators.

Figure 3: Public Spending on Health as a Percentage of GDP, Selected Latin American Countries



Note: After 2000, values have been calculated by dividing by current prices in the national currency. Data does not include extra-budgetary spending.

Source: Own calculations based on CEPAL (2012).

It is worth recalling that almost all Latin American conditional cash transfer programs tackling poverty adopted a design modeled on the Millennium Development Goals: guaranteeing a minimum income provided that school attendance was observed, and having pregnant women, infants under 5, and children of school age visit community clinics regularly in order to improve infant and maternal mortality rates and prevent the so-called poverty diseases (diseases with higher incidence among the extreme poor).

To this end, we might examine in detail trends witnessed by two Latin American countries with large safety net programs implemented in the second half of the 2000s (Figure 4). One is Peru, with Juntos, a CCT created in 2005, and the other Guatemala, whose safety net program Mi Familia Progresa was launched in 2008.

2.3.3. Peru – The Juntos Program

Juntos prioritized poor families living in rural areas hit by the civil war, in an effort to reduce violence in areas controlled by the guerrilla. One should note that among the eligibility criteria, the level of exposure to violence was number one, followed by more traditional ones, such as the severity of poverty and malnutrition (Perova and Vakis 2010). A monthly stipend of approximately USD 30 was granted to all beneficiary households regardless of family size. From 2005 to 2011, Juntos reached around 475,000 households (around 6% of the population), representing one million children (SITC-Juntos), at a minimal cost of 0.2% of national GDP. An evaluation carried out in 2010 by Perova and Vakis acknowledges that although the poverty gap was narrowed, the monetary benefit was too low to effectively reduce poverty. However, as recognized in similar assessments, beneficiary families could improve their food standards by having access to a better diet on a more regular basis. Conversely, with regard to access to health services, the deficit on the supply side was the main cause referred to explain low immunization take up rates for children as well as for pregnant women (half of the targeted population was not covered) after a five year period. Finally, no major impact was detected with regard to educational attainment, since enrollment rates and school attendance levels were the same for beneficiary and non-beneficiary children.

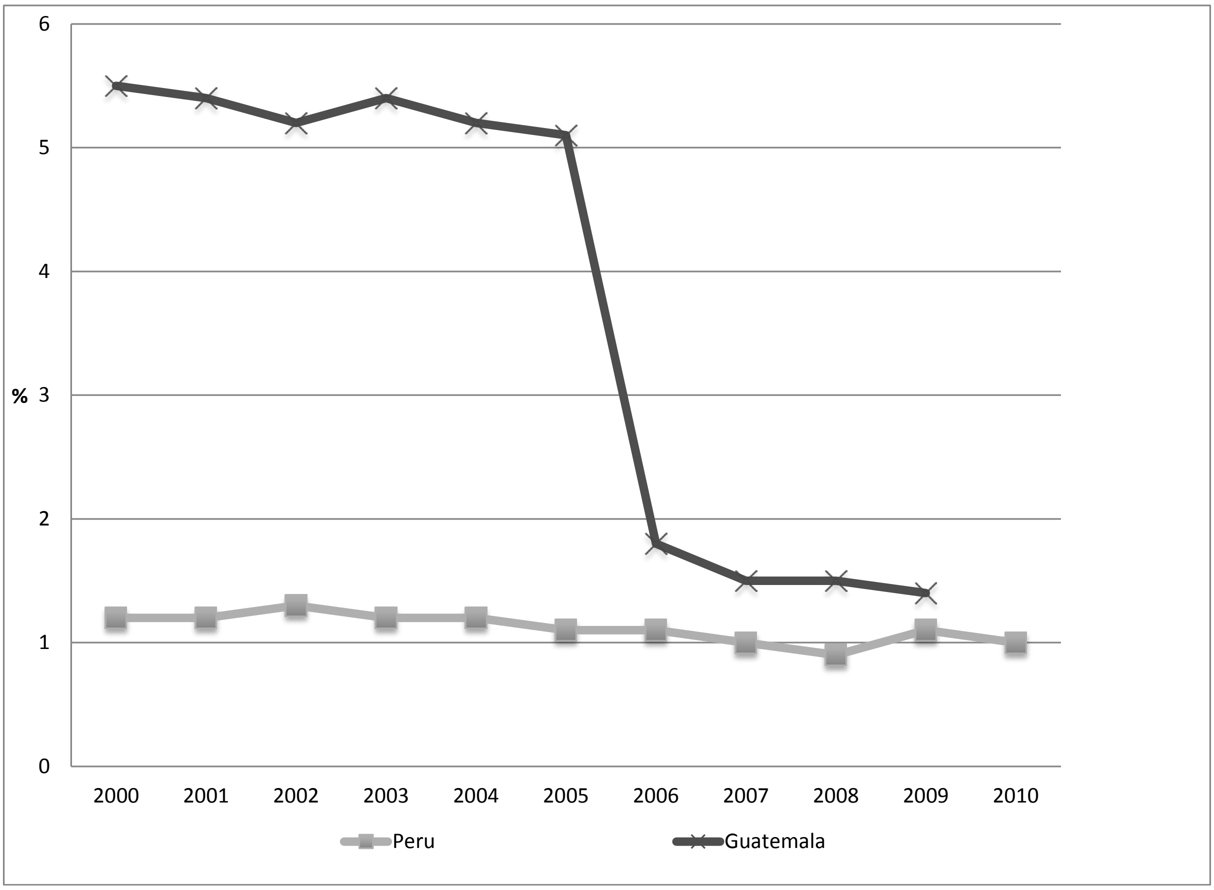
2.3.4. Guatemala: Mi Familia Progresa/ Mi Bono Seguro

An analogous situation typifies the Guatemalan case. Mi Familia Progresa (MIFAPRO) was renamed in 2012 Mi Bono Seguro. It is nowadays shrinking after having covered up to 862,000 families and more than 1.6 million children under 15 years old back in early 2011, an estimated 35% of the total population. Mi Bono Seguro reaches now only 110,000 families. In addition to having achieved a large scale, the former MIFAPRO provided a monthly benefit of around USD 35,[21] hence converging to the benefit provided by Juntos. Within Latin America, however, the sum of the household benefit may range from slightly over USD 200 per month in Argentina to less than ten dollars in Chile, Honduras or Jamaica. MIFAPRO represented in 2011 0.36% of GDP (UNDP Guatemala 2011). Like Juntos, Mi Bono Seguro did not report the

21 Actually, two distinct benefits were combined in one single stipend, one as an incentive for improving school attendance and health monitoring and the other one to address food insecurity.

expected outcomes: neither has schooling attendance improved significantly nor has family health coverage, mostly due to shortages on the supply side. To put it another way, the state did not fulfill its duties in providing public services such as health and schooling but imposed on the beneficiary families the burden to prove themselves responsible and deserving of the monetary benefit by finding and using services – that were nonexistent or extremely scarce.

Figure 4: Social Spending on Health in Selected Latin American Countries as a Percentage of GDP



Source: CEPAL (2012)

In contrast to findings referred above that make conditional cash transfers a demonstration effect worth adapting in different national contexts for poverty alleviation, one may conclude that of three main outcomes – a substantial drop in the intensity of extreme poverty, social spending on the rise as a percentage of national GDP, and social demands reformatting and consolidating the relationship between the state and the destitute – only the first has been soundly accomplished in the case of Peru and Guatemala. Figure 4 shows that contrary to what would be predictable given the burden of conditionalities on beneficiary families, the Peruvian and the Guatemalan governments deliberately did not concentrate efforts and budget resources in the provision of public health care but rather focused on providing cash, a very effective way to grasp commodification in countries where indigenous communities have been denied basic rights and well-being. While in Peru the line in terms of health spending over the decade is flat, it drops sharply in Guatemala just before the introduction of Mi Familia Progresa and never picks back up.

The case of the Rarámuri people in Mexico – an indigenous community of 20,000 living in a remote area – is telling, though not unique. About 20% were facing starvation after being dropped from Oportunidades for failing to comply with their co-responsibilities (another label for conditionalities). Schools were several hours away by foot, hospitals more than a day. Thousands gave up trying to find non-existent services. And they were severely penalized because they were incapable of meeting the program's requirements (Yanes 2013).

Although paradigmatic, cash transfers directed at the poorest combine conflicting proposals. They present a residual profile and turn out to be dissociated from a policy of de facto income guarantee with anti-cyclical and redistributive effects – a constitutive, although far from exclusive, element of universal social protection systems. They have been introduced at the margin of social insurance schemes when existent, as a compensation for the consequences of the economic adjustment on the needy – not a right guaranteeing basic standards for all those who qualify, but a residual safety net to compensate for market failures and promote some poverty relief.

No Latin American country actually transformed these schemes into rights to be claimed by and entitled to all those eligible for income deficit. Uruguay may be seen as an exception given that the National Social Emergency Plan implemented from 2005 to 2007 was designed to reach all those included in the target population, but failed to do so. Assessing the program, Gabriel Burdín and Gioia Melo (2009) acknowledged that, as a matter of fact, one fifth of eligible households did not apply and therefore continued to live in poverty with no monetary aid. The magnitude of this non-take-up proved troubling. But this distortion should come as no surprise. Excluding potential recipients is not incidental, but rather predictable, since targeting seeks to shrink the demand for means-tested benefits, instead of attempting to reach the poorest among the poor and provide the right benefit to the right individual.

Moreover:

(1) these programs are low cost, and never amount for more than 0.6% of GDP (the case of the Bolsa Família Program in Brazil), therefore their impact in poverty reduction

is inevitably of low magnitude – not to mention the Mexican case, where for over more than 15 years of new generations of conditional cash transfer programs, enthusiastically claimed as extremely successful, poverty dropped only by 2.2 percentage points in the period 1992-2010 (Gallardo Goméz and Mendizábal 2012), based on estimates released by CONEVAL (Consejo Nacional de Evaluación de la Política de Desarollo Social, México). Actually, from 2008 to 2010, the poverty rate rose from 44.5% to 46.2%, increasing the headcount to 52 million people in 2010, as compared to 48.8 million two years before;

(2) although these cash transfer programs show a small role in explaining “moderate” poverty reduction, they have a significant impact in reducing extreme poverty;

(3) the criteria that apply for identifying the target group rely on absolute poverty and indigence lines established at extremely low levels (USD 1 or 2 per day), which tend to hide the real magnitude and severity of destitution and reduce the number of potential beneficiaries;

(4) none of these programs displays a take-up rate of 100%, far from it, for they suffer from horizontal inefficiencies due to inadequate targeting and means-testing;

(5) these programs escape normative rules that would automatically adjust poverty lines and income benefits for inflation on an annual basis, reducing the income gap;

(6) several schemes are funded through general taxation (often indirect) and of consumption, which means that they are very likely to be regressive since improvements in consumption by beneficiary families contribute directly to their funding;

(7) all these welfare schemes are disconnected from a social mode of regulation, therefore separate from institutional structures that would contribute to enforce their provision for all those qualifying;

(8) they tend to be time-limited;

(9) conditional cash transfers remain fragmented and insular. They can be reduced or even halted at any time for shifts in politics or in the economy.

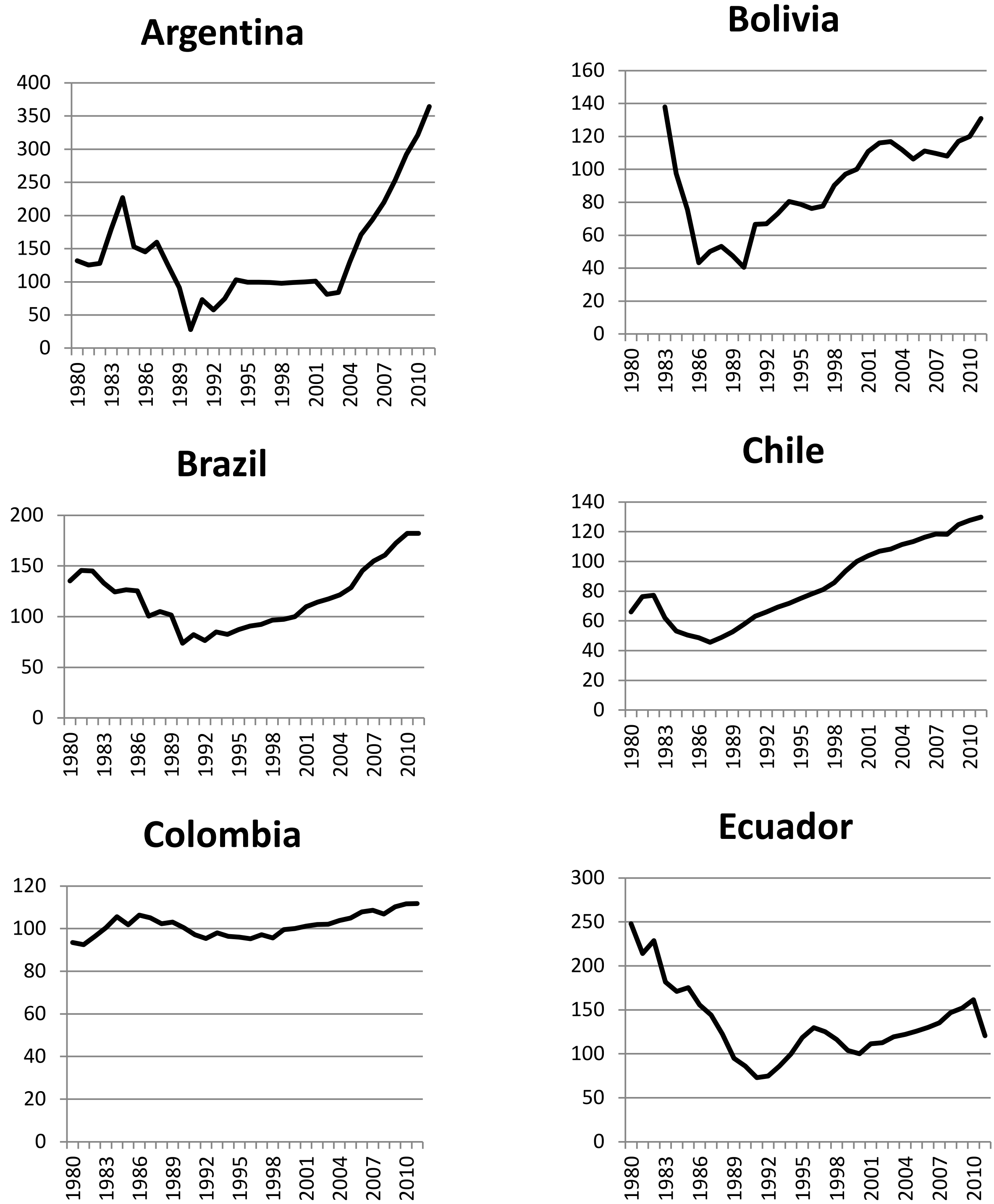
In sum, different modalities of programs apply,[22] with specific eligibility criteria or conditionalities, aimed at distinct target populations, with varying models of administration (see Appendix 1). Some schemes appear more effective than others in reducing extreme poverty and alleviating poverty as a whole, depending primarily on the amount of the stipend or benefit. Generally speaking, however, their contribution to poverty reduction – one should emphasize - is relatively modest, their major impact consisting of narrowing the income gap, thus reducing the intensity of poverty.

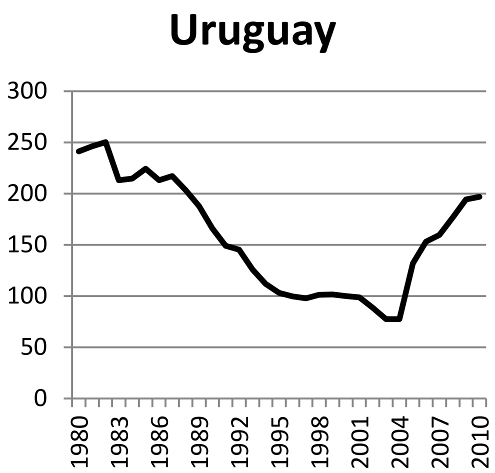
The issue of the real contribution of these compensatory schemes to curb poverty rates in Latin America has nourished a lively debate on their effectiveness. The initial overwhelming enthusiasm demonstrated by those who held cash transfers up as the main cause of poverty reduction has now been substantially attenuated thanks to new analysis that grasp how economic growth and job creation in developing countries accounted for the leading forces behind this broad phenomenon. Comparative cross-country analysis (Inchauste et al. 2012; ECLAC 2012) corroborates the common wisdom that growth is the best ally to force poverty back, since the two are strongly and negatively correlated – China being the largest example. As a matter of fact, a recent World Bank report indicates a decline in both the poverty rate and the number of poor in all regions of the developing world due to job opportunities for the most poor and growing labor earnings. Labor income explains more than 40% of the decline in poverty (Inchauste et al. 2012). ECLAC also recognizes that wage earnings are the largest contributor to poverty reduction in Latin America and the Caribbean, whose growth rate, though lower as compared to 2002, averaged 4.3% in 2011 (ECLAC 2012). According to ECLAC, as in previous years, the rise in wages for poor households was the main determining factor in the poverty reduction. Three-quarters of the decline in poverty was due to labor income, and transfers (public and private ones) and all other revenue played a smaller part in the reduction ECLAC 2012: 15).

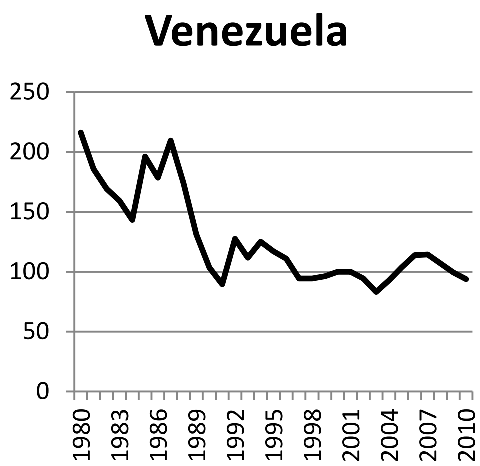
It is noteworthy that the revalorization of the minimum wage in most Latin American countries was a fundamental tool to reduce poverty and labor market inequality and boost domestic consumption (Therborn 2011; Lavinas 2012b). Figure 5 shows that except for Mexico, minimum wages tend to display a real increase in the 2000s across the region. The regional average rise (in real terms) from 2000 to 2010 reached 40 per cent.

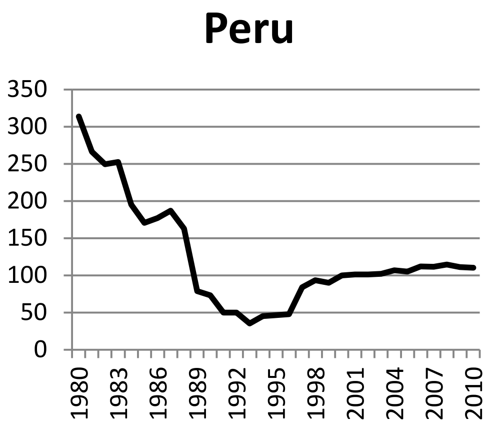
22 Leisering (2009) distinguishes three types of social cash transfers in developing countries: (1) social pensions, targeted to the elderly poor; (2) social assistance safety nets, designed on the grounds of welfare schemes in advance economies, with no conditionalities; and (3) conditional cash transfer programs, featured as hybrid systems, coupling security and behavioral aims, most of the time imposing mandatory work. This modality prevails in Latin American countries.

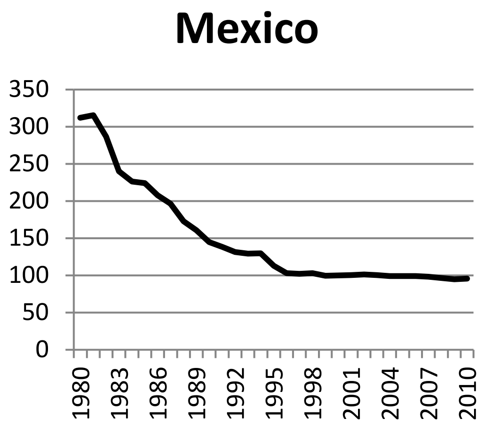
Figure 5: Real Minimum Wage - Latin American Countries (Index number, 2000 = 100)

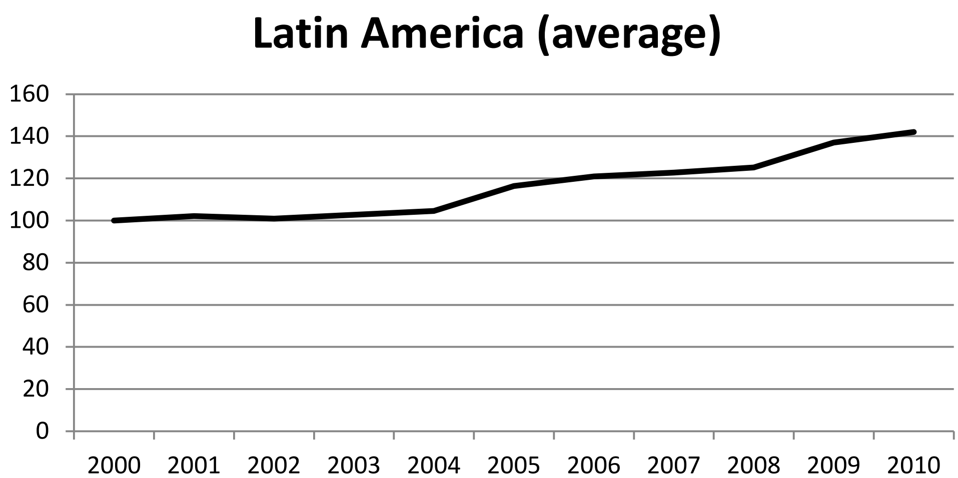












Notes:
Colombia - Minimum wage deflated by CPI.
Ecuador - Minimum wage, including additional payments.
Peru - Minimum living remuneration, deflated by CPI of Lima metropolitan area.
Mexico - Minimum wage deflated by CPI of Mexico City. Since 1996, deflated by CPI.
Venezuela - National minimum wage for non-agricultural activities. Deflated by CPI of Caracas metro area.
After 1985, values deflated by CPI.

Source: ECLAC (2012)

In any case cash transfers targeted to the poor became a global issue, although appearing in several contexts as “mere handouts” (Leisering 2009: 248). Despite their narrow contribution to poverty reduction, should they be considered as an innovation in the context of fragile and incomplete social protection systems like those prevailing in Latin America? The answer is not straightforward.

Innovation should be taken as a factor that enables de-structuring and re-structuring a given dimension (market, institutions, value added chains, etc.). So the question that applies is to determine whether conditional cash transfers entail a source of radical change that would restructure and transform social protection systems. Should they be considered a sign of the emergence of a new innovative dynamic? Will they bring about institutional change? My argument is that at best we are witnessing small and incremental shifts, on the margins, unable to overhaul incomplete social protection systems as a whole, due to their design and weak institutional links. The novelty brought in by these schemes remains a stopgap rather than a step that could bolster a sustained reaction dynamic leading to the thorough transformation of social policy regimes, making them expand and become more integrated and reflexive, notably in countries where welfare capitalism is still rudimentary. This tendency has not arisen so far in Latin American latecomers to welfare capitalism.

Although remaining a major *ad hoc* instrument in the hands of democratic governments to regulate extreme poverty unconstrained by legal and institutionalized principles of rights, these welfare programs, by their presence and relatively large scale, represent in most countries a paramount initiative that acknowledges poverty as a national challenge to be addressed through public policies. This is a remarkable shift in Latin America given that social policy has always played a marginal role in the region, in addition to having simply been ignored for centuries. This path of recognition must be celebrated especially for appearing to be so successful. In a sense, they obliged conservative forces to switch sides and back schemes that they had initially denounced as programs doomed to failure for feeding clientelism and political interests. A broad though relatively conservative consensus was forged around the idea that conditional cash transfers are worth implementing for being inexpensive, easy to manage and politically rewarding, and beyond this, they are a major trump card in solving market failures. Some argue that they have forged a “poverty reduction consensus”, based on conditionalities which stand as new portrayed “partnerships” (Gould 2005: 1).

Leisering (2009) holds that conditional cash transfers help poverty relief be seen as a right, an argument that sounds unconvincing, given that, as we have demonstrated, all these schemes fail to be shaped as an unconditional right. One may recall that back in the case of the Poor Laws, some recognition was also achieved with regard to temporary and conditional poverty alleviation. Was this enough and, above all, was it transformative? Certainly not. Cash transfers targeted to the poor are definitely not paving the road to true universalism in the continent or to a common status to be shared by all. Instead, it can be said to recycle old mechanisms of selectivity and residual welfare, in a process of individualization and broader self-responsibility of the poor, rather than promoting de-individualization to foster solidarity and social cohesion.

3. Evidence from the Bolsa Família Program

3.1. Main Features of the Bolsa Família Program

Would the Brazilian success story of Bolsa Família radically differ from the picture portrayed by the other Latin American experiments?

The Bolsa Família Program (Family Grant) was enacted by Law 10.836 in 2004, during the first term of President Lula da Silva. It aims to ensure a minimum monetary income for indigent families (monthly per capita family income less than R$ 70 or approximately USD 35) and poor families (monthly per capita family income from R$ 70 to R$ 140, which means approximately USD 35 to USD 70). Rather than a single benefit, flexible parameters were adopted, adjusting the final amount of the benefit to the families' composition.

In 2012, benefits were as follows: a basic monthly benefit for indigent families of R$ 70 (1 Reais = 0.50 USD, in December 2012). Other monetary benefits were supposed to be added to this basic amount, in the case of the presence of children or adolescents. Each child in the age 0 to 14 bracket (up to 5 per family) receives R$ 32 (USD 16); adolescents (up to 2) receive R$ 38 (USD 19); and pregnant and breastfeeding women receive R$ 32 (USD 16). The mean value of the Bolsa Família transfer in 2012 was USD 65 per family. The government´s definition of poverty is based on total income declared and not on disposable income, the latter being, in fact, much lower. In Brazil, the bulk of the tax burden comes from indirect taxes, on consumption, that have a perverse impact on the poorest.

As in other programs, in order to receive a monthly stipend, families are required to comply with certain health-related conditions (regular visits to health clinics, especially for breastfeeding women, children under five years, and pregnant women) and/or education (minimum 75% school attendance for children ages 6-17, to discourage school dropout). As in other Latin American countries, mothers are the government's agents in ensuring compliance. For this very reason, the law designates them as the nominal recipients of the stipend.

By December 2012, Bolsa Família had reached 13.5 million families, around 45 million people and 23% of the total Brazilian population. It amounted to R$ 15 billion in 2012 (around USD 7.5 billion) or 0.45% of GDP. The largest concentration of recipients is in the Northeast region (55%), which shows the highest poverty rate in the country. Figure 6 summarizes the data.

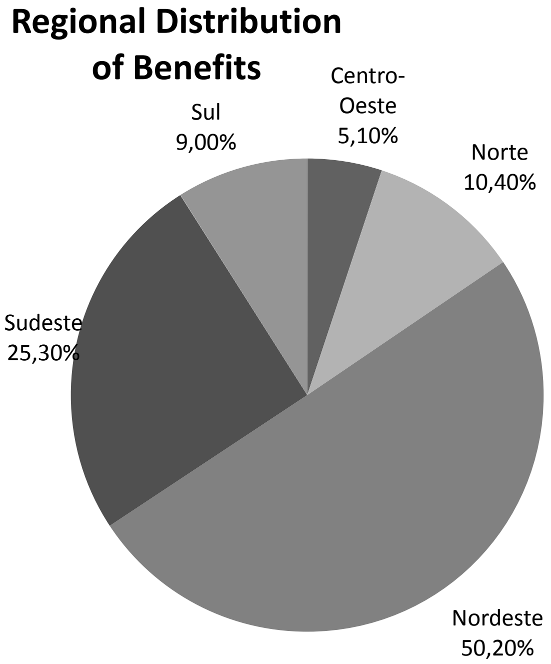
The initial base of Bolsa Família's recipients are the beneficiaries of the so-called "Remaining Programs" (Food Stamps, Food Grant, School Grant, and Natural Gas Subsidy), launched by the Federal government in the mid-1990s.They reflected a highly scattered and scarcely effective compensatory policy. Under President Lula, they were gathered under the Bolsa Família Program for reasons of efficiency and uniformity.

Though broad in scale, Bolsa Família was not really a novelty as a mechanism to alleviate poverty. It was preceded by the 1988 creation of the "Benefício de Prestação Continuada" (BPC) [Noncontributory Regular Pension] aimed at guaranteeing a solidarity income to all individuals 65 or older not entitled to any other social insurance benefit and to disabled individuals living in households with a per capita family income of up to one-fourth of the prevailing minimum wage. In addition, a poor family with an elderly member that receives the BPC can also benefit from Bolsa Família cash transfers. The BPC does not count to calculate the *per capita* family income to be eligible for Bolsa Familia. This was the first initiative within the new Brazilian Social Security system to address poverty alleviation as a right. The target population covered by the BPC reaches 3.5 million beneficiaries with a monthly benefit of one minimum wage. The total cost of this Program represents 0.6% of Brazil´s GDP.

As underlined by Lavinas:

> Three features distinguish Bolsa Família from BPC: i) Bolsa Família is subject to conditionalities; ii) it is a targeted program, but the target population is not subject to restrictions in terms of age or other characteristics (such as disability); iii) the formula for calculating poverty and indigence is different as well as the value of the monthly benefit" (Lavinas 2012a: 36-37).

Figure 6: The Bolsa Família Scheme: Large Scale Makes the Difference



- 13.5 million households awarded
- 45 million individual recipients
- Average family benefit: R$ 130 / mo. (USD 65)
- Annual spending: R$ 15 billion (USD 7.5 billion)

Source: Ministry of Social Development (MSD), Brazil (2012).

This brings us to the first controversial aspect of the Brazilian anti-poverty strategy: poverty status is determined by two distinct poverty measures, according to the profile of the recipients, and not to their level of destitution. While the BPC has been institutionalized as a component part of the current social security system, the Bolsa Família remains *ad hoc*. The monetary threshold that applies to each is also sharply different;[23] Bolsa Familia's threshold currently corresponds to 1/5 of the value of the BPC´s threshold. It goes without saying that the Bolsa Família scheme ends up underestimating the poverty headcount by far and therefore denies eligibility to a significant number of those in need who happen to be neither old enough nor disabled. This introduces a bias by discriminating against the other categories of the poor who comprise the vast majority.

Likewise, while the Bolsa Família average monthly stipend was set in 2013 at R$ 140 per family (around USD 70) – and could not exceed a maximum of R$ 306 (USD 152) per month[24] - the value of the BPC was automatically set at R$ 678 (USD 340), on

23 The Bolsa Família poverty threshold was set at a monthly per capita family income of R$ 70 in 2012, whereas the BPC poverty line, as a ratio of the minimum wage (1/4), amounted to R$ 311. Brazil so far has not adopted an official poverty line to serve as a unique parameter to all policies aimed at combatting destitution.

24 The maximum amount of a benefit would be paid to a family living in extreme poverty, with 5 children under 15 years old, 2 adolescents and one pregnant or breastfeeding woman.

January 2013, being pegged to the national minimum wage. In addition, while the BPC is adjusted for inflation every year, and has enjoyed an increase in real terms due to the modality adopted by the Brazilian government to raise the minimum wage[25], the Bolsa Família stipend has been frozen since 2009[26] (as happens to be the case with other similar schemes in Latin America, no index applies to adjust this safety net for inflation). As the inflation rate accumulated since 2008 reached almost 25%, Bolsa Família's poverty line is falling every year and its recipients are cherry-picked from among the very poorest.

The good news is that Dilma´s government made a step forward relative to her predecessor and acknowledged that not all those eligible for Bolsa Família turned out to be recipients. According to the estimates released by the Ministry of Social Development, 800,000 families (around 2 million people) have not been reached, though deserving. Our own estimates, on the grounds of the PNAD (Pesquisa Nacional por Amostra de Domicílios, the National Household Sample Survey) from IBGE, raise this figure to 2.2 million families (or 7 million people). Two main factors help to account for this shortcoming. On the one hand, as put by Lavinas:

> Targeting generally causes a non-negligible deficit in coverage, since the potential target population does not always display the relevant characteristics of poverty. Thus, targeting ends up reducing the demand, through the imposition of high inconvenience costs to access benefits (self-targeting). This amplifies horizontal inefficiencies (that is, part of the target population is covered, while part is not). Targeting also introduces vertical inefficiencies, allowing evasion (for instance, some families are included as poor without actually being poor) (Lavinas 2012a: 39).

On the other hand, the fact that Bolsa Família is not a right but a welfare benefit subject to budget constraints diminishes its coverage and lowers the take up rate, occasioning horizontal inefficiencies, that is inequality amidst the most vulnerable and deprived.

25 In the decade from January 2001 to May 2012, the minimum wage enjoyed a real increase of 93.7%. The Brazilian national minimum wage is indexed to changes in the Consumer Price Index (INPC) to adjust for inflation relative to the previous year, and then incorporates the economic growth rate reached two year before.

26 The adjustment brought about was a move from a limit of three child benefits to five.

3.2. Is Bolsa Família Effective in Curbing Poverty?

How effective is the Bolsa Família Program in reducing monetary poverty and extreme poverty compared to earnings and other fiscal transfers guaranteed through the Brazilian social security system (mostly social insurance benefits)?

Tables 1(a) and 1(b) highlight the major factors that contributed to curb poverty and indigence in the 2000s. They are based on different sources of income (3 layers) obtained by those falling below the poverty and indigence lines set by Bolsa Família. Each bracket measures the net effect of each source of income in reducing both levels of destitution. This was made possible by a decomposition of per capita household income by income origin. The income breakdown refers to three layers: 1) earnings and wages (labeled "only earnings" in Tables 1a and 1b), which means income from paid work; 2) earnings plus monetary income from pension benefits and other social insurance benefits (labeled earnings + contributory transfers); 3) the third layer corresponds to all sources of income declared by poor households, this time including welfare benefits (labeled earnings + contributory transfers + welfare schemes, other[27]).

Table 1 (a): Brazil – Poverty and Indigence Rates (Estimates on the basis of the Bolsa Família poverty lines)

Poverty	2001	2003	2005	2007	2009	2011
Earnings + Contributory Transfers + Welfare Schemes and Other	35.8%	27.7%	20.3%	17.7%	15.5%	11.0%
Earnings + Contributory Transfers	37.1%	29.3%	23.4%	20.5%	18.8%	14.8%
Only earnings	47.9%	41.7%	35.2%	32.5%	30.6%	26.3%
Indigence						
Earnings + Contributory Transfers + Welfare Schemes and Other	15.9%	10.8%	6.7%	6.2%	5.4%	4.4%
Earnings + Contributory Transfers	17.3%	12.8%	9.7%	8.9%	8.3%	6.9%
Only earnings	28.3%	24.1%	19.7%	19.0%	18.3%	17.0%

Source: IBGE, various years.

27 "Other" also covers other sources of monetary income like cash received from relatives, etc.

Table 1 (b): Brazil – Poverty and Indigence Headcounts (Estimates on the basis of the Bolsa Família poverty lines)

Poverty	**2001**	**2003**	**2005**	**2007**	**2009**	**2011**
Earnings + Contributory Transfers + Welfare Schemes and Other	59,526,291	47,408,501	36,580,530	32,270,862	28,672,014	20,212,411
Earnings + Contributory Transfers	61,598,304	50,139,747	42,085,504	37,414,489	34,828,055	27,250,786
Only earnings	79,646,007	71,391,102	63,316,316	59,238,488	56,716,531	48,501,002
Indigence						
Earnings + Contributory Transfers + Welfare Schemes and Other	26,481,009	18,486,432	12,051,795	11,303,082	9,915,183	8,043,978
Earnings + Contributory Transfers	28,810,218	21,980,776	17,409,897	16,276,404	15,320,303	12,701,661
Only earnings	47,024,294	41,284,142	35,532,253	34,588,116	33,919,999	31,287,361

Source: IBGE, various years

To facilitate the interpretation of these tables, I shall proceed by steps starting from the results relating to poverty reduction and, secondly, to the decline in extreme poverty.

In 2001, the first year of the time series displayed in Tables 1a and 1b, 47.9% of the Brazilian population was living in poverty if only earnings income is taken into account. Paid jobs and work in general were not enough to lift almost half of the population out of poverty. This accounted for 79.6 million people.

With the addition of social insurance transfers, the 2001 poverty rate fell from 47.9% to 37.1%, a 22% decline. Contrary to the widely held belief – “common knowledge” –

pension benefits in Brazil, predominantly public, are not regressive. Quite the opposite, given that they have taken 18 million people out of poverty!

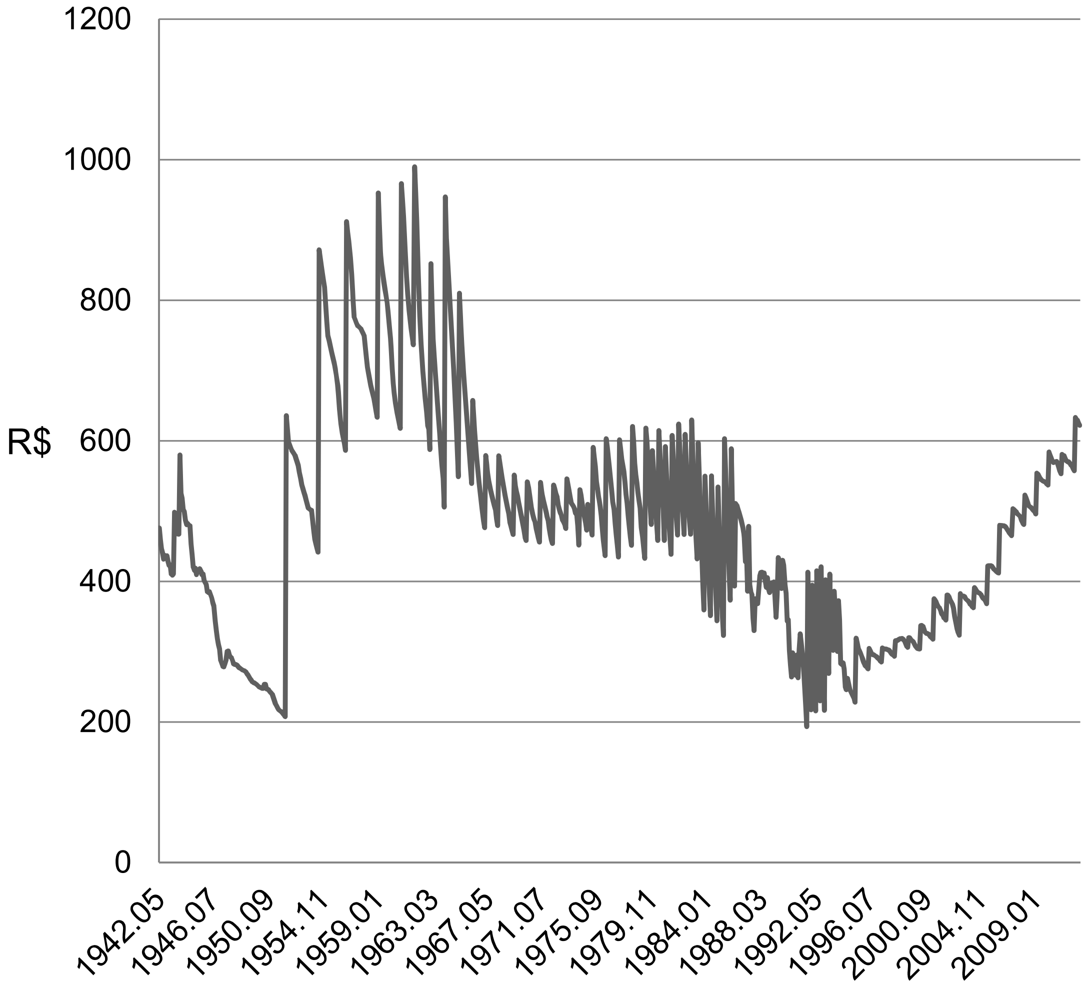
In 2001, because the Brazilian welfare system was still fragmented and limited to the BPC, its impact in attenuating poverty proved marginal: welfare transfers helped only 2 million people climb out of poverty, an increase of 2 per cent.

All in all, in 2001 after all fiscal transfers, 35.8% of Brazilians remained in poverty, a total of 59 million people.

The picture has significantly changed in 2011. The overwhelming shift is that within the earnings bracket, the poverty rate has dropped steadily and sharply, from 47.9% in 2001 down to 26.3% (a decrease of 45%) as a direct result of economic recovery and job creation. As shown in Tables 1a and 1b, throughout the decade, no other source of income appears to have had such a positive impact on poverty reduction. Thanks to the new dynamic of the labor market, currently integrating part of the most vulnerable groups, 31 million people were lifted out of poverty and the poverty headcount went down to 48.5 million.

Another very interesting outcome arises from the greater effectiveness of pension benefits that enabled an additional 12 percent decline in the poverty rate in 2011 against a lower level back in 2001 (10%). Behind both trends is the recovery of the minimum wage, whose real value increased by 93.7% from January 2001 to May 2012. Figure 7 helps illustrate this trend. From 2005 onwards, the recovery of the minimum wage sped up appreciably (refer to footnote 20). Thanks to public pensions whose basic rate is pegged to the minimum wage, 21 million more Brazilians escaped poverty in 2011.

Figure 7: Brazil – Minimum Wage (Constant Reais as of May 2012)



Source: IPEA (adjusted for inflation using the INPC).

Finally, welfare cash transfers also aided 7 million Brazilians to escape from poverty and helped lower the poverty rate to 11%, a figure never seen in Brazil since the inauguration of its household database series back in the 1960s. In ten years, the poverty rate in Brazil dropped steadily, from 35.8% to 11%, an outstanding performance by all standards.

The same method of calculation and analysis applies to the indigence rate. Examining what happened with extreme poverty, one may find that the effects of economic growth on the labor market did not actually favor the indigent as noticeably as happened to be the case for the poor. This accounts for the extremely low levels of schooling, human capital, and precarious and low paid occupations held by the indigent, who are less likely to benefit from improvements derived from an upward trend in the economy.

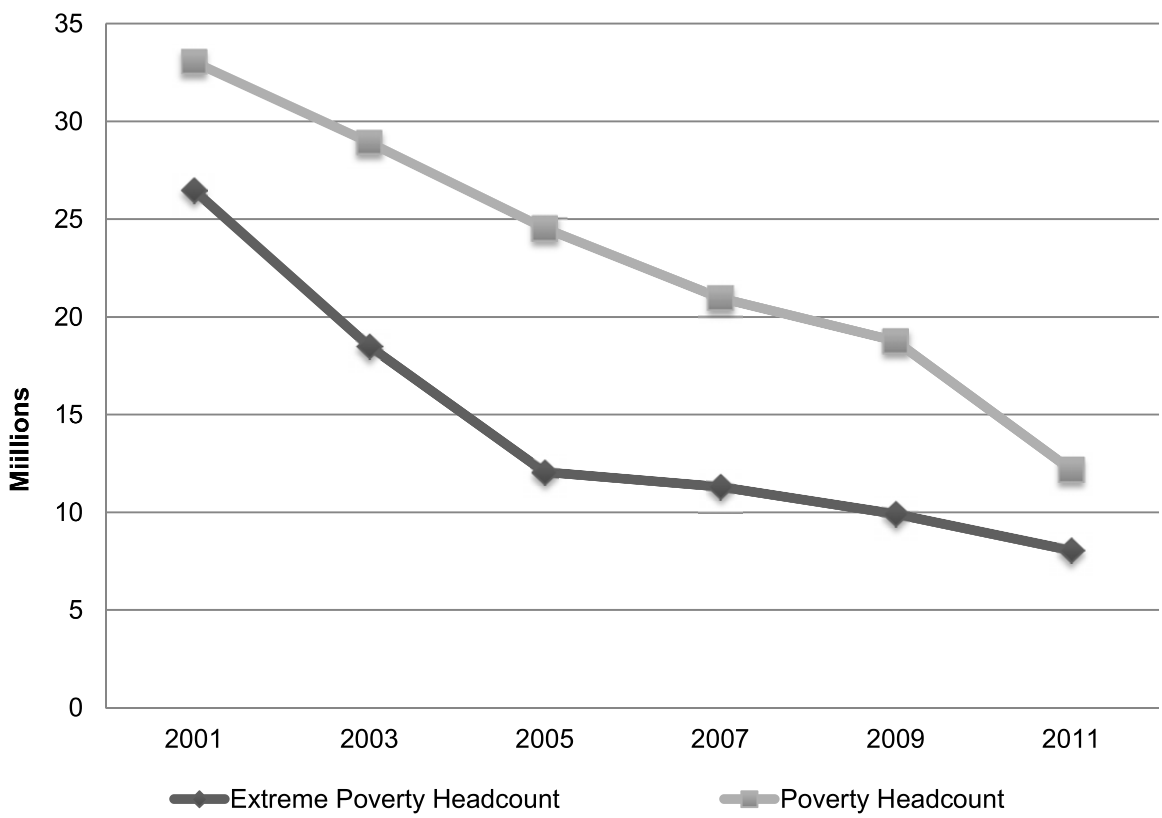
Therefore it comes as no surprise that economic growth impacts the poor and the extreme poor in different ways and with varying intensity.

The decline in the average indigence rate (all incomes included) over the decade tracked closely with the poverty rate: 2/3 of the most needy were lifted out of extreme poverty in 2011, which corresponds to 18 million Brazilians. Not bad at all! However, job opportunities cut extreme poverty by just 35%, against 45% in the case of poverty. Conversely, pension benefits were the major factor in shrinking indigence by more than half, yet again thanks to being linked to the minimum wage. They contributed to lifting 19 million Brazilians out of extreme poverty.

Finally welfare benefits diminished the number of indigent from 12 million to 8 million in 2011, showing a broader impact as compared to 2001, due to the extended coverage of safety nets over time.

In sum, in 10 years, Brazil eliminated three-quarters of its extreme poverty! Nonetheless some figures remain troubling: at least 28 million Brazilians still fall below the poverty line (Figure 8), a measure that falls below the thresholds recommended even by the World Bank.

Figure 8: Brazil – Trends in Extreme Poverty and Poverty



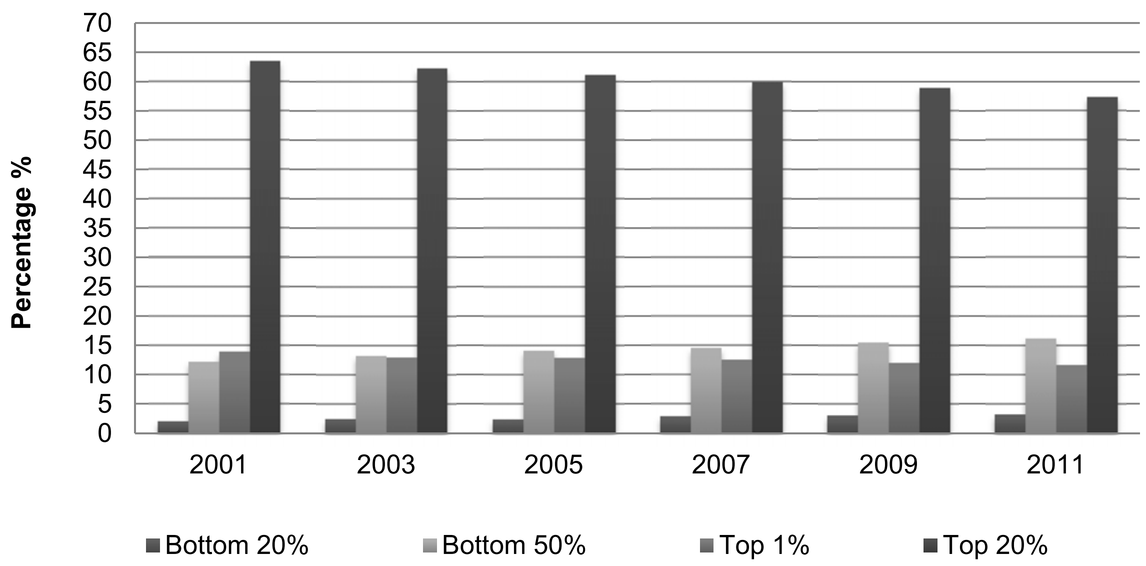
Source:IBGE, various years.

3.3. Addressing Inequality

It is worth recalling that poverty and indigence thresholds in Brazil are problematically low and therefore the figures presented above are inevitably underestimated. If Brazil were to implement a relative poverty line along the lines of the one currently in use in the European Union – set as 50% of the median per capita income – the poverty rate in Brazil would soar to 40%[28] (approximately 70 million people). Median per capita income in Brazil remains fairly low (notably in rural areas), as shown in Figure 9, and amounted to only R$ 466 in 2011 (around USD 233 per month). This means that 40% of all Brazilians live on a per capita income lower than USD 120. These figures say a great deal about the choices of poverty measures in Brazil and in other Latin American countries, and raise concerns about the appropriateness of asserting that the emergence of a new and broad middle class[29] is pushing out poverty! According to the federal government, the new middle class starts with an average per capita family income of R$ 292 per month, the equivalent of less than 10 Reais a day (or less than 5 dollars a day).

In spite of being on the rise, per capita family income in Brazil, either median or average is globally low, which in a sense makes it difficult to address and change poverty measures and make them suitable to a high middle income country. This is due primarily to the abysmal levels of inequality still prevailing in the country.

Figure 9: Brazil – Per Capita Household Income, Median and Average



Source: IBGE, various years.

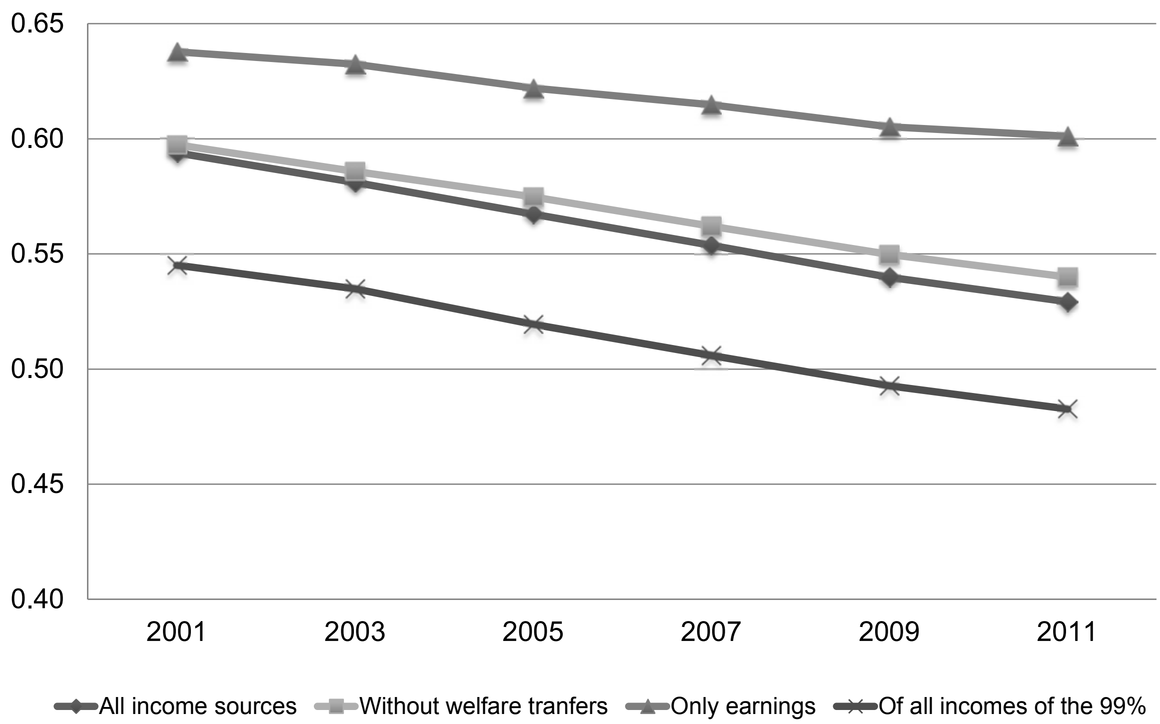
28 Estimates calculated by the author from PNAD data from IBGE.

29 For more information about this debate, refer to http://www.politicasocial.net.br/ (Plataforma Política Social).

One has to acknowledge, however, that inequality has also decreased in Brazil as of late. Figure 10 exhibits this positive trend although asserting that inequality persists at exceptionally high levels.[30] The Gini index considering all sources of income dropped sharply from 0.593 in 2001 to 0.529 in 2011. With or without welfare benefits the tendency is sustainable. But the latter doubtless has an effect in attenuating inequality even more. The second bright spot is that the Gini index drops below 0.50 (to 0.482) if the wealthiest 1% is taken out of consideration. Figure 11 shows how the top 1% and the bottom 50% crossed paths in the 2000s. Whereas the income share of the top 1% of society declined from 14% to 11.6%, the income of the bottom 50% took on a slightly bigger share since 2005. Yet again, even these magnitudes are outrageous and reflect both the severity of inequality in Brazil and all of the challenges ahead in curbing lingering income asymmetries. The bottom 20% in the income distribution does not enjoy a big slice of the cake: despite making headway, in 2011 they hold just 3.2% of all income against an even more meager 2.3% ten years before.

Lastly, Figure 12 provides a full picture of the income distribution by quintiles in order to better grasp the upward trend enjoyed by Brazil at this moment in time. All quintiles improved their share in income distribution over time except the top 20%. However, the top quintile still holds more than 57% of all income.

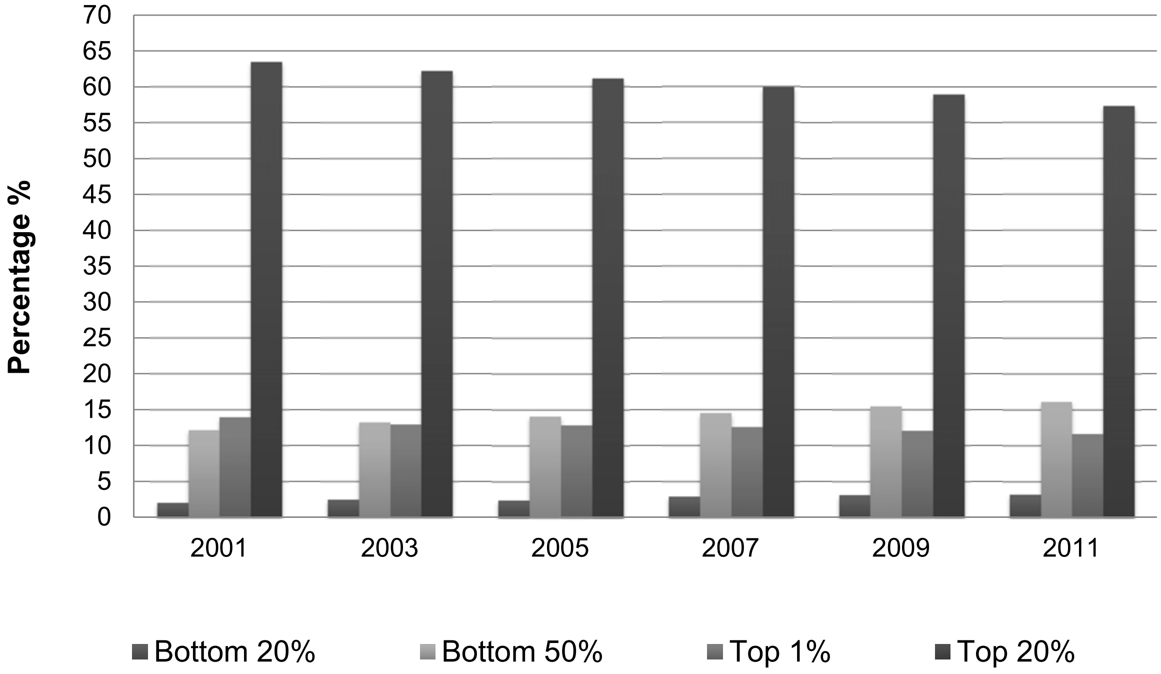
Figure 10: Brazil – Trends in Gini Index



Source: IBGE, various years

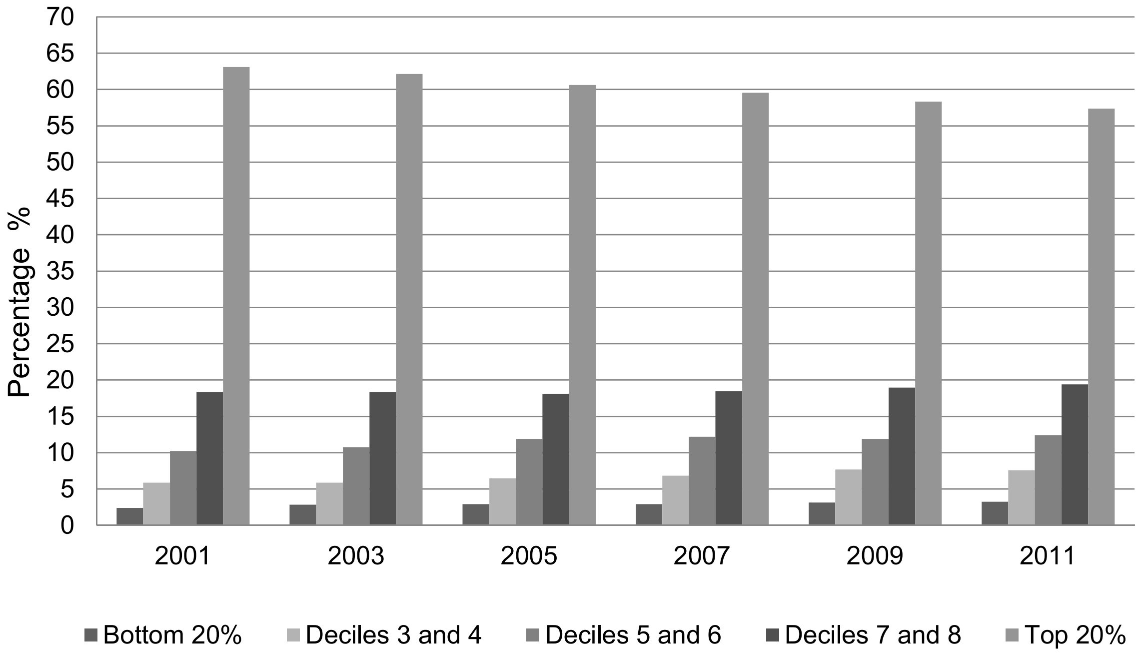
30 The data relate to declared income and not disposable income.

Figure 11: Brazil – Income Share



Source: IBGE, various years

Figure 12: Brazil – Income Share by Quintiles



Note: Quintiles calculated using cut-off points beginning with lowest quintile

Source: IBGE, various years (including appropriations)

Nevertheless, and in line with other Latin American countries, growing labor earnings account for the bulk of poverty reduction and net improvements in income distribution.

Job opportunities were enhanced also to workers formerly occupied in non-monetary activities. Their share in the Brazilian workforce was halved, dropping from 9% to 6% in ten years.

The process of market inclusion was consequently the result of job growth coupled with a spreading out of monetary cash transfers, both contributory and non-contributory, a phenomenon that increased average income and enhanced commodification to compensate for government failures to provide basic services. For Brazil was not an exception during the 2000s and did not escape the tendency of concentrating social spending in cash transfers rather than in decommodified services such as public healthcare, education, sanitation, and other universal and unconditional provisions.

Whereas federal social spending[31] with welfare benefits registered a 280.3% real increase from 2001 to 2011, public health spending rose only by 18.3%, education by 66.6%, housing declined 92.2%, and sanitation fell by half over the same period of time. In 2001, social assistance spending corresponded to 22.4% of health spending and 45.5% of education spending. Relative to housing and sanitation, the ratio was 14 times and 22 times greater, respectively. Ten years later (2011) the figures are as follows: spending with welfare benefits targeted to the poor now amounts to 72% of spending with health, is equivalent to spending with education, and is 754 times bigger than spending with housing and 167 times greater than sanitation. Brazilian social spending is increasingly concentrated on cash transfers and not in the provision of decommodified services and goods.

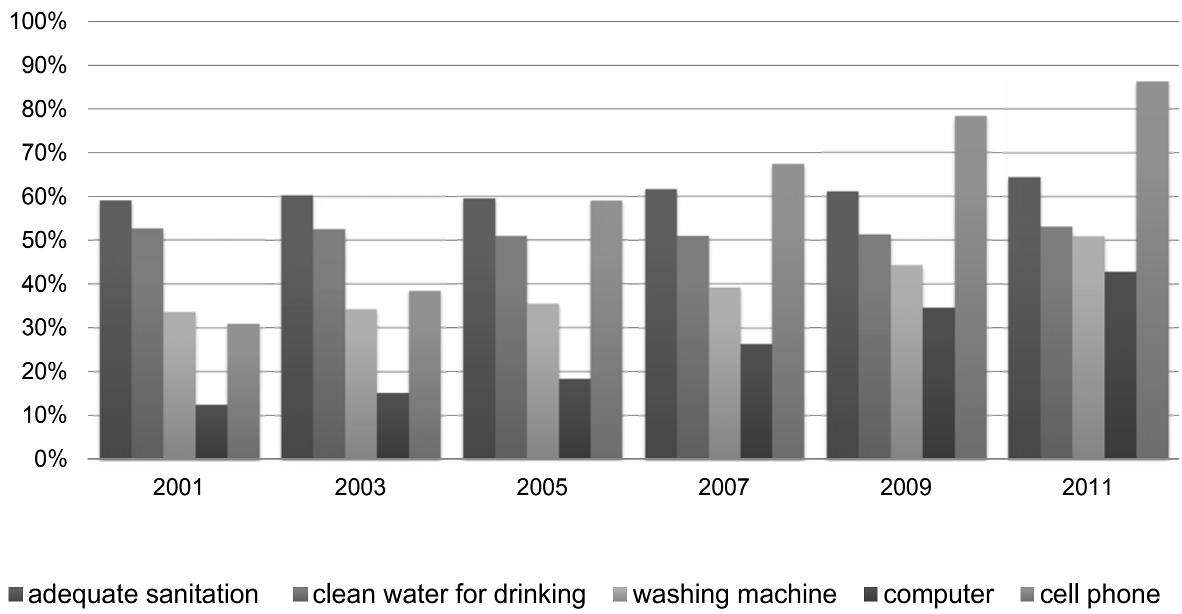
Healthcare is by large a prime example of how a universal right has been damaged in Brazil by the rationale of finance-led capitalism. The 1988 Constitution instituted healthcare as a universal right in Brazil, whose provision should be ensured by the state. To this end, the Unified National Health System was created in 1990, strongly influenced by European universal health systems like the British and the French. In theory, the participation of the private sector should be complementary and heavily regulated by the National Health Agency. In practice, the privatization of the health system expanded in the absence of public resources (existent but diverted for other aims), which entailed a vicious cycle of underfinancing and ended up undermining universality (Ocké-Reis 2012; Bahia et al. 2013). This process continues and may definitively ruin a system once designed to be comprehensive and universal. In 2009, private spending on health reached 5.3% of Brazilian GDP while public expenditures amounted to only 3.5%. This adverse trend has worsened every year since SUS was

31 Source: SIAFI – STN/CCONT/GEINC. Ministério da Fazenda. Fiscal Budget and Social Security Budget..

founded. That same year, a bill passed in Congress authorizing families and individuals to fully deduct all health-related expenditures from their income taxes, particularly premiums paid to private health insurers.[32] These deductions have no limits. In 2006, tax deductions related to health expenditures represented 30% of all public spending on healthcare. It is likely that it may correspond today to 40% (Santos 2013). The commodification of health in Brazil seems inexorable and reflects how the state has surrendered to financial markets.

It then comes as no surprise that social indicators with respect to living conditions in Brazil rank so low. According to IBGE (Figure 13), improvements in adequate sanitation or in the provision of clean water progressed very little in the last decade, whereas access to market goods such as cell phones, washing machines and computers soared stunningly: 86.4% of all Brazilian households report having at least one cell phone in 2011, against 31% in 2001. One out of two households now declares a washing machine, but only 2 in 3 enjoy adequate sanitation. With regard to the provision of clean water, no change was reported in 10 years countrywide. One should keep in mind that the numbers of households in Brazil amount to 62.3 million. This means that no fewer than 30 million households, either poor or non-poor, do not enjoy healthy clean water! Nothing can justify such a low rate of clean water supply in a country like Brazil.

Figure 13: Brazil – Percentage of Households with Specific Facilities and Goods



Source: IBGE, various years.

32 In 1992, only expenditure for medicine was excluded.

Therefore, while the good news is that commodification spreads fast, the not-so-good news is that de-commodification, a major and indisputable component of social protection systems, is at stake. Social infrastructure and access to decommodified goods and services delivered by the state do not progress at the same pace, aggravating inequality gaps whose measurement appears to be more difficult to gauge. Government failures in delivering basic services and goods in periods of economic growth, coupled with job creation and rising income foment private spending in realms that used to be public, such as education and health. As a consequence, privatization is boosted and universality is jeopardized, a drawback particularly for middle income countries, like Brazil, where social heterogeneity and inequality remain the foremost challenge ahead. Rather than enhancing and strengthening welfare capitalism, the new tendency of finance-led capitalism is to foster commodification through poverty alleviation programs. Yet again, Brazil is not an exception.

For Bolsa Família recipients, access to consumption credit is eased through special consumption credit lines, whose average interest rates remain prohibitive[33], ranging from 1.8% per month up to 4%.[34] Nonetheless, it is the first time that those most deprived, at the bottom of the income distribution in Brazil, can borrow from public banks and buy consumer goods that were lacking. In parallel, the supply of banking products and services is broadening, in particular in the realms of private insurance for all kind of risks, apparently at low fees. This is considered a new social provision from the banking system!

What actually boosted domestic demand in Brazil among the poor recently was most probably not cash transfers but the access to the financial market provided by the status of being a safety net recipient – a new ID for the poor, controlled by the state, retailers and banks - coupled with the lure of diverse and very "compelling" new financial products.

33 There are special consumption credit lines that are mainly accessed by the beneficiaries of the Bolsa Família or the BPC. This is the case of the credit line Crédito Fácil, from the Caixa Econômica Federal (commercial and savings public bank) as well as the Construcard, the latter directed towards purchasing housing materials, while the former provides loans to buy wage goods and durable goods, such as TV, washing machine, fridges. Banco do Nordeste do Brasil offers the Credito Amigo credit line for the same purposes. Usually big national retailers have online systems integrated with Caixa Econômica Federal, and loan requests can be approved almost immediately. Just to give an example, a new credit line, the Crédito Caixa Fácil, provides loans up to R$ 200 (around USD 100), with no additional collateral, and no special purpose, charging interest rates of 2% per month (the annual inflation rate for 2012 was estimated in 5%). Lenders would then have to pay R$4 per month as interest rate, which appears to be cheap for those whose granted with monthly stipends whose average value amounts to R$ 130 (USD 65). In case of any emergency, like a health problem, the financial system will "secure" needs unmet by the state.

34 Banerjee and Duflo (2011) state that "credit from informal sources tends to be expensive" but in Brazil interest rates charged by public banks are as high as those charged by the informal circuits in Asia.

Finally, the status of the poor has not been surmounted, but rather reaffirmed in this finance-led commodification process, through services and products tailored accordingly. On the other hand, the social security budget is threatened by cuts in the payroll tax to reduce labor costs for entrepreneurs (despite the fact the country is not foreseeing a recession) and then foster competition. Sectors that most enjoy both types of incentives are those lagging behind in the global market for being neither innovative nor productive. They are accorded no penalties – not even from the market - but rather rewards. Penalties apply only to the destitute who fail to comply.

4. Conclusion: Conditional Cash Transfers and the Transformation of Social Protection in Latin America

The idea that a social reform enabled by the implementation of conditional cash transfers in Latin America could entail a permanent process of redistribution, reducing inequality and curbing poverty to marginal levels, does not hold. Moreover, cash benefits, though providing a safety net of last resort to the needy, do not suffice by themselves to foster convergence and social cohesion. Likewise, the way they have been designed and their weak institutionality as ad hoc programs reinforces the old model of a residual social service state, a paradigm overcome by the consolidation of comprehensive social protection systems in the second half of the 20th century. Because they are residual, and consequently cheap, these schemes are not effective in reducing poverty, although they can be shown to lessen the intensity of extreme poverty. Furthermore, despite recognition that destitution requires some compensatory mechanisms, now offered in monetary form, conditional cash transfers do not constitute rights, and poverty recognition does not automatically entail entitlements.

Another question raised in this paper refers to what extent this bias in social spending, wildly imbalanced in its focus on monetary benefits rather than decommodified goods and services, may be threatening equality of capability.[35] We have argued that anti-poverty cash transfers are unlikely to address resource inequality (Therborn 2011) through market inclusion. These cash transfers targeted to the poor constitute a powerful mechanism to expand market societies, but are very much likely to compound vulnerabilities and exacerbate the market rationale with no clear benefit for social protection systems as a whole. Social protection as a whole runs the risk of being downsized in the name of the poor, whose needs have been very modestly addressed through target income programs.

35 This question came to mind after reading Göran Therborn's arguments (2011), based on Amartya Sen's approach, about what kind of inequality matters.

Thus far, the labor market and labor earnings have been the major factors that have fostered poverty reduction and curbed inequality in Latin America. Most social protection systems in the region remain incomplete and fragile, most probably are unable to sustainably and effectively address shortcomings in case of economic slowdown. Social policy remains predominantly pro-cyclical and despite its broader diversity has not yet been fully integrated as a synergic force to improve market regulation, guarantee economic stability, and prevent uncertainty.

The poor continue to be identified as poor, stigmatized through selectivity and controls, with the difference that they now receive monetary rewards in exchange for their participation as consumers in the market society in times of global financialization. Market provision, along with individualization, has been strengthened to the detriment of universal and public provision. In countries like Brazil, where universal policies and unconditional access to healthcare are granted constitutionally by the 1988 Bill of Rights, the patchy provision of public services reinforces the idea that privatizing is the only way. Whereas half of all Brazilians aged 16 or over believe that decommodified public services such as healthcare and education should be universal and unconditional, the same percentage oppose tax increases in order to better finance these services and adequately meet demand. As a full one-third of the adult population sees it, public services should be limited to the destitute, therefore narrowed in scope and quality. A large majority (75%) supports some redistribution towards the destitute, not as a right, but tied to conditionalities and controls, with non-compliance implying the loss of beneficiary status (Lavinas et al. 2012).

In no Latin American country have safety net schemes to combat poverty led to a fiscal reform willing to ensure a permanent and wider redistribution pattern, on the grounds of shared common values, reinforcing social cohesion. One might say that two societal paradigms are disputing hegemony in Latin America with regard to imposing a social protection framework. One considers that market inclusion mechanisms thought to enhance risk-taking opportunities are the way forward for rewarding those who prove responsible and rational, be the people in question poor, vulnerable, or neither. Cash transfers prevail in this framework, and decommodified well-being are to be restricted to a basic backbone. The other model values risk-sharing and prevention in order to protect and equalize access and opportunities irrespective of income levels and social status. In this model, the structure of social spending prizes not only income security but above all the promotion of equity and convergence, thus avoiding a dual and fragmented society.

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6. Appendix 1: Conditional Cash Transfer Programs in Latin America

Country / Year Started	Name(s)	Target	Conditions of Benefits	Benefit Amount (USD)	Annual Spending (USD) various years	Population covered
Argentina 1997 and 2009	Programa Nacional de Becas Estudiantiles Asignación Universal por Hijo	Poor children 13-19 years old in schooling risk, living in poor families with household income lower than USD 170 excluding other benefits	School attendance	140/year	46 million (0.03% of GNP)	350,000 pupils (0.9% of population)
Bolivia 2009	Bono materno infantil Juana Azurduy de Padilla Bono escolar Juacinto Pinto	Expectant mothers and children up to 2 years old (Juana Azurduy) Children 6-14 years old, means-tested (Juacinto Pinto)	4 prenatal checkups; medical care during childbirth; 12 postnatal checkups until child is two years old (Juana Azurduy) School attendance (Juacinto Pinto)	Total of 258 in 17 installments (Juana Azurduy, 2010) 28.50/year for children in primary school and in first 2 grades of secondary school (Juacinto Pinto, 2012)	226 million (Juana Azurduy, 2009) 55 million (Juacinto Pinto, 2009)	800,000 people (5.8% of population) (Juana Azurduy) 385,000 children (35.6% of all children, 2012) (Juacinto Pinto)

Country / Year Started	Name(s)	Target	Conditions of Benefits	Benefit Amount (USD)	Annual Spending (USD) various years	Population covered
Brazil 2003 (Bolsa Escola 1998 with 1.5 million families)	Bolsa Família	Poor families with monthly per-capita household income of less than USD 38.50, and poor families with per-capita monthly income of less than USD 77 with children under 17 years old	School attendance (80%); monitoring of vaccination and health center visits for children; expectant and nursing mothers	Extremely poor families: 37.30/month + 12/month per child (up to 3 children up to 15 years old) + 18/ month per adolescent child 16-17 years old (up to 2	8 billion (0.4% of GNP)	12.8 million families (23% of population)
Chile 1981	Subsidio Unitário Familiar	Poor women with school-age children, expectant women or women caring for disabled family members	School attendance and monitoring of health of children	6/month/ child	70 million (0.09% of GNP)	954,000 pupils (6.3% of population)
Chile 2002	Chile Solidario	People fulfilling criteria of means test by proxy	Participation in activities as determined by social workers	20/month (first half year) 15/month (second half year) 10/ month (third half year) And 6/month (42 months)	22 million (0.02% of GNP)	290,000 families (6% of population)

Country / Year Started	Name(s)	Target	Conditions of Benefits	Benefit Amount (USD)	Annual Spending (USD) various years	Population covered
Colombia 2001	Famílias en Acción	Poor families with children 0-6 years old (bono nutrición) and children 7-17 years old (bono educación)	Monitoring of health of children up to 6 years old and school attendance for children between 7-17 years old	6/month/ child in primary school 12/month/ child in secondary school 20/month/ families with children up to 6 years old	95 million (0.08% of GNP)	400,000 families (3.6% of population)
Costa Rica 2000	Programa Superémonos	Poor families with children 6-18 years old (food stamps)	School attendance	30/month per child attending school	3.45 million (0.02% of GNP)	12,234 families (1.2% of population)
Dominican Republic 2005	Solidaridad	Poor families with children up to 16 years old	Monitoring of health of children up to 5 years old; school attendance for children between 6-16 years old; parent training and	17/month (food) + 9-14-19/ month Depending on size of family(1,2,3 or 4+ children)	57 million (0.19% of GNP)	230,000 families (9% of population)
Ecuador 2003	Bono de Desarrolo Humano	Poor families with children up to 16 years old, or with elderly or disabled family members	Monitoring of health of children up to 5 years old and school attendance for children 6-16 years old	15/month/ child; 11.5/ month/ family with elderly or disable family members	200 million (0.5% of GNP)	1.2 million families (40% of population)

Country / Year Started	Name(s)	Target	Conditions of Benefits	Benefit Amount (USD)	Annual Spending (USD) various years	Population covered
Guatemala 2008	Mi Família Progresa	Families in extreme poverty living in urban and rural areas	Monitoring of health expectant mothers and children under 6 years old; school attendance for children 6-15 years old	35/month (health benefit + education benefit)	1.2 billion (0.32% of GDP)	862,000 families (35% of population)
Honduras 2000	Programa de Asignación Familiar II	Vouchers for poor families with children between 6-12 years old who have not yet completed 4th grade in primary school; expectant mothers and women with children under 3.	Monitoring of health of expectant mothers and children under 3 years old, and school attendance for children 6-12 years old	5/month/ child (< 3 years old); 4/month/ family (up to 3 vouchers) + incentives for a range of services	25 million (0.3% of GNP)	411,000 families (28% of population
Jamaica 2001	PATH	Poor families with children up to 17 years old; expectant and nursing mothers, elderly people over 65 years old; people in poverty who are disabled	Monitoring of health of children under 6 years old; school attendance for children 6-17 years old	9/month	16 million (0.16% of GNP)	220,000 people (8% of population)

Country / Year Started	Name(s)	Target	Conditions of Benefits	Benefit Amount (USD)	Annual Spending (USD) various years	Population covered
México 1997	Progresa/ Oportunidades	Poor families with children up to 18 years old; expectant mothers or women caring for disabled family members	Nutritional supplements for children under 5 years old; school attendance and completion of secondary school for children 8-18 years old, monitoring of health of all family members; health and nutrition information for women	Primary school: 11-22/month /child + 21/year /child for school supplies; Secondary school: 32-40/ month/child + 26/year /child for school supplies); Secondary school: 53-69/month / adolescent + 26/ year /adolescent for school supplies; 300 transfer to a savings account if secondary school completed 16/ month for poor families 70/month /elderly family member over 70 living with a poor family receiving benefits	3.3 billion (0.4% of GNP)	5 million families (23% of population)
Peru 2005	Juntos	Families in extreme poverty living in rural areas		33 /month	220 million (0.2% of GDP)	487,000 families (5.3% of population)

Note: Various years, calculations by author.

Sources: Cobo (2010), Lavinas (2012), and Grosh et al. (2008: 493).

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