

international policies is both complex and consequential for Latin American countries. With China's growing domestic consumption, everyone wants a piece of the Chinese market. Wise advised prudence, predicting that China's growing domestic demand will not be for Peruvian or Chilean manufactured goods. In fact, while the FTAs have brought disappointing results for the Latin American side, trade has increased significantly between Peru and Chile over the same period, leading Wise to propose that the two countries worry less about trade with China and focus on their own bilateral relationship. Eichengreen concluded with a sobering reminder that China's economy will not grow at its recent pace forever, noting that "all fast-growing economies slow down eventually."

The greatest obstacle to smooth relations between China and Latin America lie in persistent mutual misunderstandings. Although university students on both sides of the Pacific are studying each other's languages, cultures, and economies, a generational lag in expertise continues to complicate political and economic relations. The costs, in the meantime, may include excessive risk-taking, missed opportunities, and

oversimplification. In the face of improving research and growing empirical evidence, relying on the conventional wisdom is increasingly untenable. Indeed, this is true not just for China–Latin America relations, but also for the U.S. and Europe as they grapple with the 21<sup>st</sup>-century world order.

The panel "China and Latin America: Perceptions, Problems, and Opportunities" was held on February 12, 2013. Panelists included Carol Wise, associate professor of International Relations, University of Southern California; Barry Eichengreen, professor of Economics and Political Science at UC Berkeley; and Margaret Myers, director of the China and Latin America Program at The Inter-American Dialogue. The panel was moderated by Harley Shaiken, professor of Geography and Education and director of the Center for Latin American Studies at UC Berkeley.

Julie Klinger is a Ph.D. candidate in Geography at UC Berkeley.

VIDEO AVAILABLE AT CLAS.BERKELEY.EDU

The port of Santos, Brazil.



Photo courtesy of the Program for Accelerated Growth PAC.



Photo by Otávio Nogueira.

People like this elderly couple are the beneficiaries of some of Brazil's social programs.

## SOCIAL POLICY

# Weaving a Stronger Safety Net

by Wendy Hunter

Following the structural adjustment that Latin American economies underwent in the 1980s and 90s, social policies aimed at reducing poverty and enhancing equity assumed heightened importance. Economic recovery, technocratic initiatives, and the competitive dynamic of democracy itself led administrations from across the political spectrum to address longstanding social deficits. The policies adopted differ significantly from those of preceding periods. Conditional cash transfers (CCTs) and non-contributory pension programs are prominent among the social policy innovations that have helped to decrease poverty and increase equity in the past decade.

Motivated by the twin goals of poverty alleviation and human capital development, CCTs involve the direct transfer of money from the state to families (generally to mothers) conditional upon their children attending school

regularly and receiving basic preventative health care. Often such programs also require that expectant mothers receive prenatal care and have trained attendants present at birth. Noncontributory pensions, on the other hand, are crucial for keeping people from falling into indigence in old age. Given the sizable number of Latin Americans who labor their entire lives in the informal sector, have not paid into a pension system, and cannot even prove the number of years they have worked, noncontributory pensions are an important new type of social protection. In many countries, they represent an especially important safety net for women, who often spend their working lives toiling as domestic servants, small-holding agriculturalists, or in other jobs located outside the formal economy.

Conditional cash transfers and noncontributory pensions differ in key ways from the standard policies of Latin American welfare states during the

>>



Propaganda featuring then-president Getúlio Vargas from Brazil's "Estado Novo" (New State) period, 1938-1945.

period of import-substitution industrialization and the subsequent era of economic stabilization and liberalization. The welfare states of the 1930s and 40s focused coverage almost exclusively on (mostly male) urban workers in the formal sectors of the economy. Later, in the aftermath of the debt crises of the 1980s and during the unfolding of market reforms in the 1990s, coverage was extended to the poor but only to the most vulnerable individuals within that segment, that is, those living in extreme poverty. Today, income transfers offer protection to a much broader segment of the population. Due to the persistence of high levels of informality in Latin American economies, both types of income subsidies offer an important safety net for sizeable numbers of poor people in the region.

The roll-out of conditional cash transfers and noncontributory pensions in the last two decades has been marked. Between 1989 and 2010, the governments of 17 Latin American countries introduced conditional income transfers. Most of them are means tested: eligibility rests on families offering proof of their low-income status. This is the case with the two best-known examples of CCTs in the region: Brazil's Bolsa Família and Mexico's Oportunidades. Bolivia's Bono Juancito Pinto is distinctive in being universal, although a large share of the population would pass a poverty means test if required to do so.

Brazil led the way in non-contributory pensions. In 1997, the country's democratic government established the Benefício de Prestação Continuada (BPC) for destitute elders and the disabled. The program improved upon one begun under the preceding military regime. Over the next 10 years, Argentina, Bolivia, Colombia, Costa Rica, Chile, El Salvador, Mexico, Peru, the Dominican Republic, and Uruguay adopted some form of a non-contributory pension scheme. As with CCT programs, most non-contributory pension systems are means tested. For example, Brazil's well-known BPC is available to only the poorest of the poor. Bolivia's Renta Dignidad is an exception: it entitles all elderly Bolivians to a minimum pension.

To date, economists and political scientists have investigated many of the more concrete outcomes associated with these programs. For example, in addition to analyzing how much CCTs contribute to diminishing poverty and income inequality, researchers have sought to determine the extent to which cash transfers lead to greater uptake of basic education and health services, less child labor, better child nutrition, and increased acquisition of birth certificates, which are required for every member of the family in the application process. Political scientists have also investigated the credit-claiming game that politicians have engaged in around CCTs and the political dividends that such programs have paid to presidential candidates and their parties at election time.

While these subjects are clearly important, there are a number of potential impacts of the new social assistance programs that have been investigated less thoroughly, if at all. Though more difficult to study and quantify, these are crucial

continued on page 50 >>



People waiting to register for Brazil's Bolsa Familia program.

Photo by Mason Hiett.

questions to pursue nonetheless. Scholars in disciplines that go beyond economics and political science have a key role to play in this regard. Anthropology and sociology are obvious disciplinary arenas for such work. The following are some of the issues that warrant further research.

*Changing relations within the family:* The infusion of new income into an income-deprived family can be expected to have some effect on family dynamics. An impact on family structure would be expected especially if a steady and consistent stream of funds were introduced and if the amount made up a large percentage of the family's overall income. In the case of CCTs, the mother of the family is generally the recipient of the program. In most countries, she receives the funds directly through a debit card in her name. It might, therefore, be anticipated that this would enhance her status and power in the family relative to the children's father and sometimes even to the children themselves, especially when they are adolescents. Few systematic studies have been carried out to ascertain whether this is indeed the case or the conditions under which it holds. Similarly, elders who receive non-contributory pensions are likely to become less dependent on their children. In some instances, they may even end up supporting their children and grandchildren. There are several potential consequences of this change in care relations in the home, which in turn impact who enters the labor market and under what conditions.

*Social inclusion and political participation:* One broad set of questions to be explored concerns whether and to what extent such programs lead to a heightened sense of social inclusion among beneficiaries. Given that many Latin American governments have historically paid negligible attention to the informal-sector poor, do recipients of the new income transfers — once among the most marginalized members of society — feel more included by contemporary democratic governments? Are they more likely to feel that these governments care about and respond to people like them? If so, what are the political implications? For example, does democracy gain legitimacy in the eyes of the poor? In countries where voting is not obligatory, are program beneficiaries more likely to be engaged in politics and vote with greater regularity, similar to how Social Security in the United States brings people, especially senior citizens, to the polls? Is a heightened inclination to vote associated with feelings of greater political efficacy? Questions concerning social inclusion and political participation represent a promising path to pursue in future research.

*Social provisioning as a right:* Present-day governments tend to cast the new social assistance schemes in

the discourse of rights and entitlements rather than in the language of patronage and clientelism. The programs themselves tend to be run in a highly bureaucratic manner: for the most part, decision-making over who receives the funds takes into account objective rather than political criteria. Furthermore, in most cases, the way that funds are distributed minimizes the role of local political discretion and maximizes the possibility that the money will get to the recipients. This represents a significant change in a region where social provisioning to the destitute has occurred largely in the form of “hand-outs” by politicians who held patronage hostage to votes at election time. Yet, even if the design of social assistance programs has changed, do recipients understand these welfare state advances in terms of modern rights or traditional favors? Do recipients still think there is a “quid pro quo” expectation, that is, that they need to reward the incumbent at the polls or suffer recrimination? Or, have more rights-based norms and conceptions of social programs as entitlements begun to take hold? If Latin Americans begin to think of social programs as rights rather than as favors, the relevance of the current social assistance programs may extend to more bottom-up demand making from key societal actors down the road.

*Leaving debt behind:* Ethnographic accounts suggest that income subsidies have helped poor people, especially those in remote rural areas, come out from under the personal debts they have traditionally held with local store owners and suppliers of crucial inputs. As the literature in anthropology and political science has amply demonstrated, debt is a source of tremendous vulnerability for individuals and families alike and is often handed down from one generation to the next. Paying off one's debts and remaining free from future debt — especially if it is held with local elites who have a virtual monopoly over goods and services — would seem to be a significant step forward in the life chances of people who reside in isolated interior regions of the country. Stated more positively, having newfound consumption power would seem to elevate the social standing of poor people in such settings, with untold positive multiplier effects stemming from that fact alone. Exploring the consequences of new state sources of income against the history of debt peonage to local providers could be the basis of another research agenda.

*Interaction with state services:* The conditions stipulated by CCTs — that recipient families make sure their children attend school on a regular basis and receive basic health care — may encourage Latin Americans to interact with the state and utilize a greater range of

services than they would otherwise. Notwithstanding the arguments against conditionality, which revolve around giving state agents too much power and paternalistic authority over program recipients, there are positive consequences that may potentially result from the interactions that these conditions induce. Social workers as well as education and health providers connected with CCTs have observed that when recipients step into schools and clinics — even if those first steps are induced by the requirements of the CCT program — their confidence grows along with their awareness of the range of other services available.

Coming out of isolation and having more contact with supportive service providers seems to encourage some people to take advantage of further opportunities to enhance their life chances. For example, the fact that a mother takes her children to the health clinic may well make her more likely to pursue basic medical care for herself, something that impoverished women often don't do for a variety of reasons. While anecdotal evidence suggests that this dynamic is sometimes at work, more systematic studies are needed to trace recipients' steps and see whether those who were previously reluctant to utilize

available services come to do so as a result of income support. Ideally, state authorities would respond to such increased demand with efforts to improve the quantity, as well as the quality, of social services.

Conditional cash transfers and noncontributory pensions represent an important pillar in the new paradigm of social protection in Latin America. No doubt their impact goes well beyond the immediate poverty relief they provide. Conceivably, their long-term consequences may include putting program recipients into a stronger position within the family, the political sphere, and society. The state's discourse around such programs, and the details of program design, most likely influence the full impact they end up having. In any event, future research across various disciplines is necessary to shed light on the wider impacts of the new social assistance programs. There is much room and reason to go forth with such studies.

Wendy Hunter is a professor of Government at the University of Texas at Austin. She spoke for CLAS on April 16, 2013.

VIDEO AVAILABLE AT CLAS.BERKELEY.EDU

Brazilian President Dilma Rousseff announces an expansion of Brazil's social safety net in Irecê, Bahia, 2011.



Photo courtesy of Secom Bahia.