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THE ARGENTINE POLITICS OF WELFARE STATE ADAPTATION FAILURE

Labour Market Transformation and Social Policy after Import Substitution
Industrialisation, 1976 – 2010

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GLOSSARY

ADEBA	Asociación de Bancos de Capital Argentino (Association of Argentine Banks)
AMPO	Aporte Medio Previsional Obligatorio (Mean Obligatory Workers' Pension Contribution)
ANSES	Administración Nacional de la Seguridad Social (National Social Security Administration)
ANSSAL	National Health Insurance Administration (Administración Nacional del Seguro de Salud)
APEGE	Asamblea Permanente de Entidades Gremiales Empresarias (Permanent Assembly of Employers' Associations)
AUH	Asignación Universal por Hijo (Universal Child Allowance)
CAC	Cámara Argentina de Comercio (Argentine Chamber of Commerce)
CAPS	Centros de Atención Primaria de Salud (Centres for Primary Health Attention)
CCC	Corriente Clasista y Combativa [name of a piquetero organisation]
CEA	Consejo Empresario Argentino (Argentinean Employers' Council)
CEDLAS	Centro de Estudios Distributivos Laborales y Sociales (Centre for Distributive, Labour and Social Studies)
CELADE	División de Población en el Centro Latinoamericano y Caribeño de Demografía (Department for Population Studies in the Latin-American and Caribbean Centre for Demographics)
CEPAL	La Comisión Económica para América Latina (Economic Commission for Latin America and the Caribbean)
CGE	Confederación General Económica (General Federation of the Economy)
CGT	Confederación General del Trabajo (General Workers' Confederation)
CNM	Consejo Nacional de la Mujer (National Women's Council)
CTA	Central de los Trabajadores Argentinos (Argentine Workers' Central)
DAGPyPS	Dirección de Análisis de Gasto Público y Programas Sociales (Office for the Analysis of Public Spending and Social Programmes)
DGI	Dirección General de Impuestos (General Tax Office)
DNIyAF	Dirección Nacional de Investigaciones y Análisis Fiscal (National Office for Fiscal Analysis and Investigation)
DNU	Decreto de Necesidad y Urgencia (Emergency Decree)

EAP	Economically Active Population
EPH	Encuesta Permanente de Hogares (Permanent Household Survey)
FGS	Fondo de Garantía de Sustentabilidad (Guarantee and Sustainability Fund)
FIEL	Fundación de Investigaciones Económicas Latinoamericanas (Foundation for Latin American Economic Research)
FONAVI	Fondo Nacional de la Vivienda (National Housing Fund)
FPV	Frente para la Victoria (Front for Victory)
FRENAPO	National Front against Poverty (Frente Nacional contra la Pobreza)
FREPASO	Frente País Solidario (Front for a Country in Solidarity)
FTV	Federación Tierra y Vivienda [name of a piquetero organisation]
IADB	Inter-American Development Bank
IDH	Ingreso para el Desarrollo Humano (Income for Human Development)
ILO	International Labour Organisation
IMF	International Monetary Fund
INDEC	Instituto Nacional de Estadística y Censos (National Statistical Institute)
INOS	Instituto Nacional de Obras Sociales (National Institute for Social Health Insurances)
INSSJyP	Instituto Nacional de Servicios Sociales para Jubilados y Pensionados (National Social Service Institute for Pensioners)
IPEC	Instituto Provincial de Estadísticas (Provincial Statistical Institute) [Province of Santa Fé]
ISI	Import Substitution Industrialisation
LIBOR	London Interbank Offered Rate
MOPRE	Módulo Previsional (Pension Module)
MSN	Ministerio de Salud de la Nación (Ministry of Health)
MTEyFRH	Ministerio de Trabajo, Empleo y Formación de Recursos Humanos (Ministry of Labour, Employment and Formation of Human Resources) [later MTEySS]
MTEySS	Ministerio de Trabajo, Empleo y Seguridad Social (Ministry of Labour, Employment and Social Security)
MTySS	Ministerio de Trabajo y Seguridad Social (Ministry of Labour and Social Security) [later MTEySS]
OECD	Organisation for Economic Co-operation and Development
OO.SS.	Obras Sociales (Social Health Insurances)
PAN	Plan Alimentario Nacional (National Alimentary Programme)

PAP	Prestación Adicional por Permanencia (Additional Benefit for Continued Affiliation)
PBU	Prestación Básica Universal (Universal Core Pension)
PC	Prestación Complementaria (Complementary Benefit)
PJ	Partido Justicialista (Justicialist Party) [= Peronist Party]
PJJHD	Plan Jefes y Jefas de Hogar Desocupados (Programme for Unemployed Heads of Household)
PMO	Plan Médico Obligatorio (Obligatory Medical Plan)
SE	Secretaría de Empleo (Secretariat of Employment)
SEDLAC	Socio-Economic Database for Latin America and the Caribbean
SIEMPRO	Sistema de Información, Monitoreo y Evaluación de Programas Sociales (System for Information, Monitoring and Evaluation of Social Programmes)
SPSS	Subsecretaría de Políticas de la Seguridad Social (Sub-secretariat for Social Security Policy)
SRA	Sociedad Rural Argentina (Argentine Rural Society)
SSS	Secretaría de Seguridad Social (Social Security Secretariat)
UCeDé	Unión del Centro Democrático (Union of the Democratic Centre)
UCR	Unión Cívica Radical (Radical Civic Union)
UCR-I	Unión Cívica Radical Intransigente (Intransigent Radical Civic Union)
UCR-P	Unión Cívica Radical del Pueblo (People's Radical Civic Union)

1 INTRODUCTION

There is a wide range of academic literature focussed on the protection against “new” and “old” social risks in OECD countries that are experiencing an ongoing transition from industrial to post-industrial societies.(e.g. Bonoli 2006, Häusermann 2006, Esping-Andersen 1999, Pierson 2001, Taylor-Gooby 2006, Tepe/Vanhuyse 2010) Particularly demographic and labour market changes have been identified to have important implications for the respective welfare states. Although these changes produced similar “problem pressures” for most of the welfare states in the industrialised world(e.g. Zutavern/Kohli 2010: 179), they have not always led to similar social policy responses. In this context, the politics of welfare state adaptation have become a field of strong interest for political science.

Academic interest in welfare states outside the OECD has recently become stronger since the social consequences of neoliberal adjustment have become evident in most of those countries. More and more literature analyses the politics of social expenditure and/or welfare (state) regimes in Latin American, Asian or African countries.(e.g. Haggard/Kaufman 2008, Gough/Wood 2008, Barrientos 2008/2009, Draibe/Riesco 2007b) The Argentinean welfare state, as one of the early developers in Latin America, has thereby received considerable attention from scholars in and outside Argentina.

Commonly shared findings of these studies are that until the mid 1970s Argentina’s welfare state regime has been very similar to those of continental Europe, taking into consideration the central role of obligatory social insurance schemes financed through payroll taxes divided by employers and employees in health and pension arrangements, low female labour market participation and extensive labour market regulation.

Despite these similarities, studies analysing social expenditure pointed out that the Argentinean social expenditure has always been below OECD average¹ and most of the corporative welfare state regimes of continental Europe, both in relation to the GDP and per capita.(see e.g. Haggard/Kaufman 2008, Barbeito 1998, Vargas de Flood 2006, Siegel 2007)

Another important difference to most of the continental European “conservative/corporatist” welfare state regimes was the absence of an unemployment insurance, as well as the

¹ Most continental European countries have higher social expenditure than the OECD average. Gross public social expenditure(includes obligatory private social expenditure) in 2001: OECD 22 Average: 22.5 % of the GDP ; France: 28.5 % ; Germany: 27.4 ; Austria: 26.0 % ; Switzerland: 26.4 % ; Italy: 24.4 %(Siegel 2007: 298), EU-15: 27.1 %, EU- 25: 26.8 %(Heitzmann/Österle 2008: 49). The Argentinean social expenditure in 2001 in comparison was 21.8 % of the GDP.(Vargas de Flood 2005: 189)

extraordinarily high fragmentation and the relatively low benefits of social policy programmes for those who had not contributed to the social insurances.(Barbeito/Lo Vuolo 1998: 179, Lo Vuolo 1998b: 240) Therefore, informal work(especially not registered employment) and unemployment virtually meant exclusion from public social protection. However, registered employment was dominant in the Argentinean labour market and seemed to be on the increase until the mid 1970s, so that also social insurance coverage was extending to ever bigger parts of the society.(Isuani 2010: 104/105)

With the military dictatorship from 1976 to 1983 this trend experienced a turnaround. The first wave of neoliberal inspired reforms implied a paradigm shift from the development strategy of import substitution industrialization(ISI) to world market integration, which induced a process of rapid de-industrialisation and profound changes on the labour market.

Although the successive social policy reforms did not keep up with the profoundness that characterised the changes in economic policies, Argentina's welfare state outcomes have changed profoundly.

The main reason for this can rather be found in the changed labour market functioning than in a dismantling of the existing welfare state arrangements. While social expenditure has increased as a proportion of the GDP since the abandonment of the ISI development model, the new labour market setting produced high unemployment rates, considerably lower average wages, much bigger wage inequalities and growing informal employment, which ultimately extended importantly the problem of exclusion from social protection.

Revisions of the economic policy in the aftermath of the prolonged crisis between 1998 and 2002 have created more favourable labour market conditions for the weaker sectors of society, if we compare them to the 1990s. Nevertheless, the problems of enormous income inequalities and high rates of informal employment persist. Ultimately, also some limited progress towards expanding the coverage of social protection arrangements for unemployed and precarious workers has been reached, but the main features of the old social security arrangements show strong rigidity. Exclusion from social protection continues to be a core problem. Social protection against income insufficiency due to unemployment or precarious employment remains still weak, both in terms of coverage and quality². High income inequalities translate into unequal benefits for those who work in the formal labour market.

² The benefits of nearly all social programmes for unemployed or precarious workers do not even cover the basic alimentary needs of the recipients. Furthermore, it is mostly not possible to receive more than one benefit at the same time.

On the basis of what has been said before, the central question that motivated this text is: Why has the Argentine welfare state, which virtually continues to be adequate for conditions of permanent full employment and relatively high wages, not been adapted to the necessities that emerge from the new functioning of the labour market since the end of import substitution industrialisation?

There has neither been an adequate process of welfare state upgrading, in the sense of introducing new programmes that would protect against social risks like unemployment and precarious employment, which became mass phenomena during the last decades, nor has there been a consistent trend towards adapting existing social security systems, like pension and health insurance, towards the new realities of the Argentine society. So, for example, increasingly unstable work histories translated in many cases into the inability to cope with the required years of contribution to receive a pension. Another example constitutes the increased inequality in the access to health care, which results from a highly fragmented system that rather exacerbates the consequences of rising income inequalities than countervailing them.

Definitions of the welfare state are numerous and differ with regard to which public policies are considered pertinent to it. Although the author of this text shares a rather broad definition of the welfare state, which includes a wide range of public policies aimed at protecting against social risks and promoting wealth, this text will focus, partly due to operational reasons, on four central social risks: old-age, health, unemployment and income insufficiency (poor families and working poor).

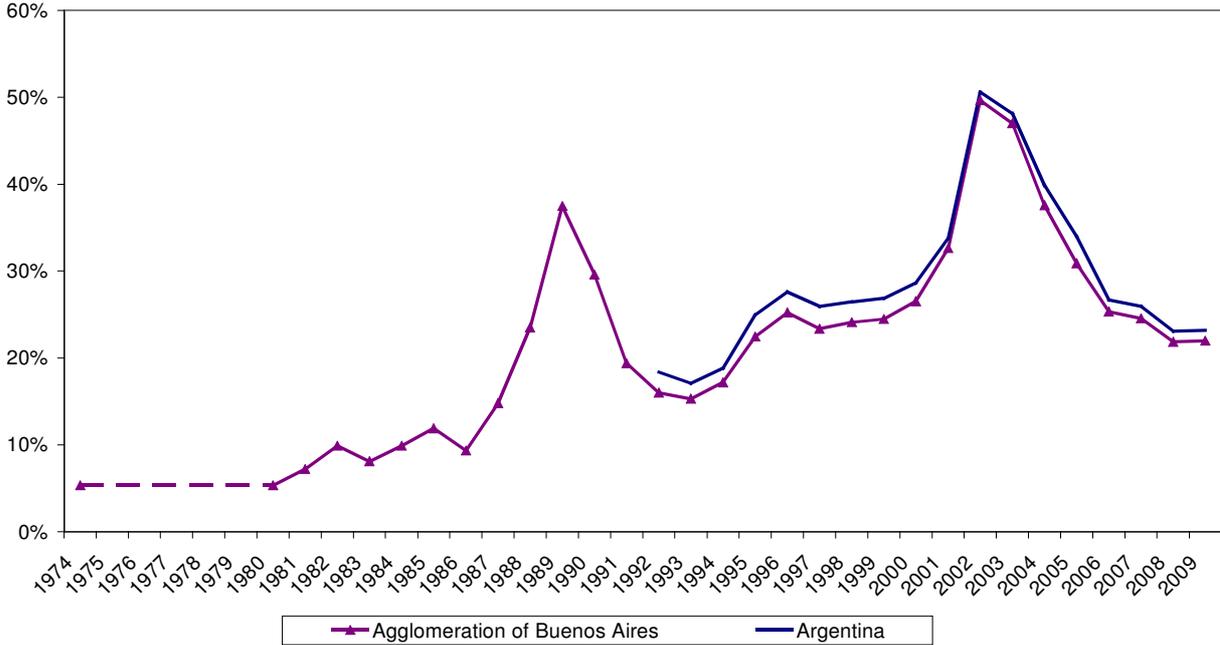
In the first chapter of this text I will use empiric evidence to substantiate my argument that social policy in Argentina since the mid 1970s has not responded adequately to the profound changes that hit the underlying society. For this purpose, an overview of the profound changes that have occurred in the Argentinean labour market and in the socioeconomic composition of the society will be given. Hence, I will compare these changes with the main social policy reforms between 1975 and 2010 and the evolution of social expenditure. As will be seen, these reforms did not keep up with the intensity of societal change, or as Aldo Isuani (2010: 113) puts it, “the welfare state adjusted in a way that did not modify the ‘basic nature’ that characterised it prior to these social transformations“. On the contrary, several reforms of the social security systems, especially those implemented during the military dictatorship (1976 - 1983) and the 1990s, further deteriorated the welfare state's capacity to guarantee social protection against the basic social risks. This chapter will also serve to identify the main patterns of social policy reform during the last 35 years, which will then form the foundations for the analysis of the politics behind welfare state adaptation failure.

Explaining *why* welfare state adaptation largely failed in Argentina, which will be the purpose of the main part of this text, deserves some special effort for several reasons.

First of all, the inadequacy of social policy responses enabled a virtually undamped transmission of the long term labour market deterioration, and the reiterated economic crises, into a long and steep rise in poverty and indigence rates³.(Beccaria 2007, Beccaria/Groisman/Maurizio 2009) While in the mid 1970s around five percent of the Argentineans were living below the poverty line, it were around half of the population in the aftermath of the economic crises that hit Argentina between 1998 and 2002⁴.(Vargas de Flood 2006: 201, Beccaria 2007: 556) Nearly 20 % of the households⁵ were considered indigent, which means that their household income was not even sufficient to satisfy their basic alimentary needs.(INDEC database) In 2009, after seven years of strong economic growth, still around 23 % of the population lived in poor households.(See figure 1)

The introduction of new social policy programmes and/or the expansion and adaptation of

Figure 1: Percentage of the population living in a poor household



Source: Gasparini/Cruces (2010: 5)

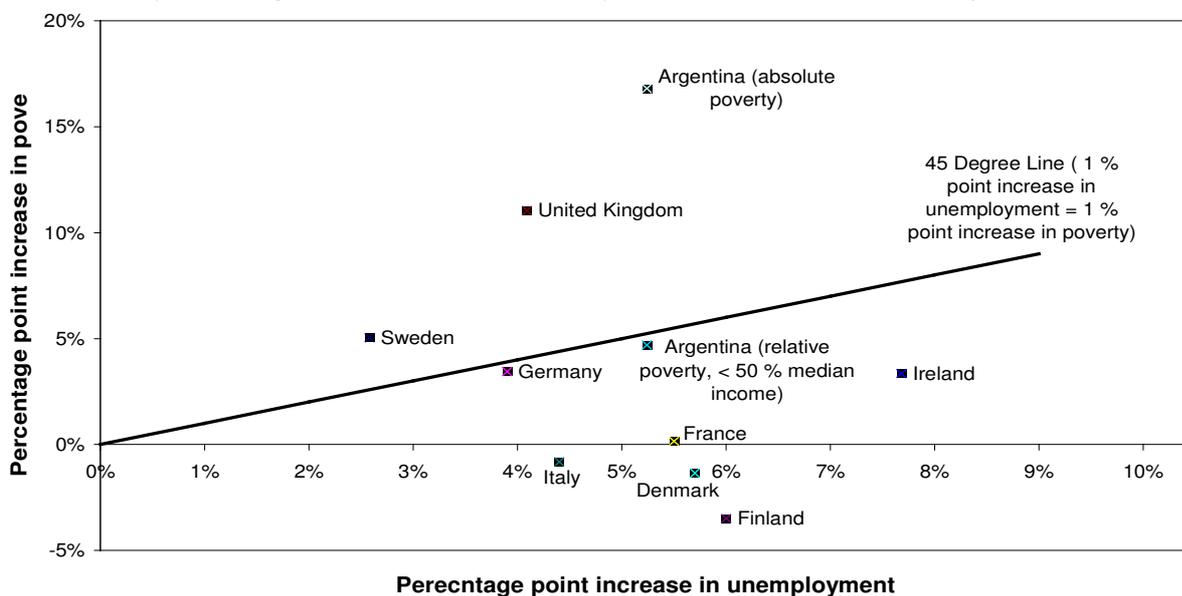
³ In Argentina poverty and indigence are measured in absolute terms. Households whose incomes are below the poverty line are not able to satisfy their basic needs, while those whose incomes are below the indigence line cannot even satisfy their basic alimentary needs.

⁴ Years 2002 and 2003.

⁵ The indigence rate measured in persons is even a few percentage points higher due to the bigger average size of poor and indigent households.

The introduction of new social policy programmes and/or the expansion and adaptation of existing programmes towards the new constellation of social risks can mitigate, theoretically even reverse, the socioeconomic consequences of the deterioration of the labour market. An interesting study of Tony Atkinson(1998: 12) shows that the rise in unemployment rates in many European countries between the mid/late 1970s and early 1990s did not in all cases result in increases in the respective poverty rates. Contrariwise, his comparison shows that despite significant increases in unemployment rates, poverty rates fell in Denmark, Finland and Italy, and remained stable in France.

Figure 2: Changes in poverty and increases in unemployment in eight European countries and Argentina: late 1970s to early 1990s



Elaborated by the author. Sources: For European countries: Atkinson 1998⁶: 12, for Argentina: SEDLAC database for relative poverty, INDEC database for unemployment and absolute poverty

⁶Original sources for European countries used by Atkinson:

Changes in poverty: Denmark: Nordisk Ministerråd (1996), Figur 1, page 35, persons aged 18-75, EU scale, 50% median; **Finland:** Nordisk Ministerråd (1996), Tabell 1, page 67, equivalence scale square root of household size, 50% median; **France:** EBF figure from Synthèses (1996), page 57 (corrected incomes), ERF figure from Synthèses (1995), page 56, EU scale, households, 50% median; **Germany (West):** Becker (1997), Tabelle 3 for EVS estimates, Hauser (1997), Tabelle 3 for GSOEP estimates, EU scale, persons, 50% mean; **Ireland:** Callan *et al* (1996), Table 4.13, EU scale, persons, 50% mean; **Italy:** Commissione di indagine sulla povertà e sull'emarginazione (1996), Tav. 1, page 15, and (1996a), Tav.1, page 7, Commissione equivalence scale, households, 50% mean; **Sweden :** Nordisk Ministerråd (1996), Figur 2, page 152, EU scale, persons, 50% mean; **United Kingdom:** Department of Social Security (1992), (1993), (1994), (1995), and (1996), Table F1, DSS equivalence scale, persons, 50% mean. Change in unemployment (1974-79) to (1990-93) for total labour force from

As can be seen in figure 1, Argentina experienced an extraordinarily strong increase in the incidence of poverty in the mentioned period. This increase exceeds strongly the rise of unemployment when poverty is measured in absolute terms, as usually done in developing countries. Certainly, the steep rise of poverty rates in Argentina during the period has to be put in the context of a crises ridden economy. As Luis Beccaria, Fernando Groisman and Roxana Maurizio(2009: 11 - 38) show, the deep labour market crisis did not only cause increasing unemployment rates but also falling wages in the Argentinean case, especially for low skilled workers. Although the falling behind of unskilled workers' incomes has been observed in several European countries as well(e.g. in the United Kingdom: Hills 1998: 37), the evolution of income distribution followed a quite different pattern in Argentina. Firstly, wage decreases in the European countries in figure 2, where they occurred, have been much more moderate than in Argentina. Secondly, in those European countries where relative poverty increased, median incomes rose during the mentioned period, while the incomes of the poorest parts of society stagnated or even decreased. In the Argentinean case, changes in the income distribution started from a higher level of inequality and changed in a way in which also the median income decreased significantly. Therefore, measuring the increase in poverty in relation to the median income does hardly capture adequately the rise in the incidence of poverty in Argentina. For this reason, figure 2 includes the percentage point increase of the absolute poverty rate for the Argentinean case. Taking the wage evolution into consideration, it can be said, that the deterioration of the labour market was extraordinarily strong in Argentina. Anyhow, figure 2 also shows that the Argentinean welfare state was far less effective in countervailing the social effects of unemployment and precarious employment than for example those of Denmark, France or Finland. Furthermore, income maintenance programmes in some European countries indirectly

OECD (1995), Table 2.15.

Sources used by the author for Argentina:

Relative poverty: Database SEDLAC, 50 % median income, the average of the years 1974 and 1980 (data for the years in between is not available) is compared to the average of 1991 – 1994. The SEDLAC database elaborated the number on the basis of the Permanent Household Survey(EPH) conducted by the National Statistical Institute of Argentina (INDEC).

Absolute Poverty: Database INDEC, Poverty line = sufficient income to satisfy the basic needs(defined by INDEC), the average of the years 1974 and 1980 (data for the years in between is not available) is compared to the average of 1991 – 1994.

Unemployment: Database INDEC, the average of the years 1974 - 1980 is compared to the average of 1991 – 1994, elaborated the basis of the EPH.

The EPH has been conducted in the Greater Buenos Aires agglomeration in the years 1974, 1980, and 1991; and in the 15 biggest agglomerations between 1992 and 1994.

define a kind of minimum wage. In this sense, the absence of similar programmes in Argentina not only enabled the undamped transmission of increasing unemployment into rising poverty rates, but it also allowed wages for weaker sectors to drop below the absolute poverty line.

Explaining why welfare state adaptation has failed in Argentina also deserves some special interest for academic and theoretical reasons. Political and social scientists have developed, mostly based on empirical evidence in form of international comparisons, a multitude of approaches towards explaining welfare state reform. These approaches often differ with regard to the factors considered the decisive determinants of social policy. To a certain extent, it depends on the construction of the comparison, for example the selection of welfare states that are to be compared, the period of time, and the chosen dependent variable⁷, which factors are ultimately considered most important for explaining welfare state development.

Some studies explicitly analysed the politics of welfare state adaptation with respect to new social risks resulting from societal changes, which coincides to a certain degree with the purpose of this text.(e.g. Bonoli 2006, Häusermann 2006, Taylor-Gooby 2006, Tepe/Vanhuyse 2010) The most influential studies of this kind are based on comparisons between industrialised countries. Hence, they basically presuppose a high level of economic development and a stable democratic system. It has to be considered in how far the theoretical conclusions of these studies are therefore applicable to explain social policy in a country with a considerably lower level of economic development and a much younger democracy. Furthermore, most studies presuppose the existence of party systems in which the main parties have more or less stable ideologies, which can be allocated on different positions on a scale from left to right. As will be seen, this is not the case in Argentina.

Stephan Haggard and Robert Kaufman(2008) compared social policy of several Asian, Eastern European and Latin American countries. Therefore, this study has the advantage for the purpose of this text that it includes a broad range of different countries outside the industrialised world. However, the dependent variable used by Haggard and Kaufman is not identical with the one of this text: while Haggard and Kaufman explain centrally the evolution of social expenditure in relation to the GDP and the evolution of the welfare state as a whole, this text intends to explain the failure of welfare state adaptation.

Nevertheless, the theoretical knowledge stemming from all these studies is extremely valuable for this text. If there is no evidence for the contrary, there is little reason to assume that factors identified to be influential by those international studies would be of no importance in Argentina.

⁷ The dependent variable is the subject that shall be explained: e.g. the dimension of social expenditure, the development of a certain type of welfare state etc..

In some cases there is evidence that the Argentinean context, or the subject that is to be explained, differs so strongly from those chosen in other studies, that the logic resulting from these studies cannot be applied without at least amending it. There are also factors that can be considered important in the Argentinean case that have not been dealt with in international studies.

In this sense, the case study design of this text brings about the possibility to examine the Argentinean case in much more detail than it would be possible in a systematic international comparison, as it relieves me from the necessity to generalise and compress realities into internationally comparable data. It also allows me to adapt existing theories to the peculiarities of the Argentinean case.

At the same time, the case study design poses limits to the possibility of using statistical methods to underpin the hypotheses of this text. Therefore, this text will have to rely more on logical and theoretical conclusions than international comparisons. Finally, it can be said that case studies and comparative studies are based on each other. This text is a good example for this. While, as mentioned before, theories resulting from international comparisons form an indispensable theoretical basis for analysing the Argentinean experience of failed welfare state adaptation, this case study also evaluates which, or which parts, of these theories can be considered valid for this purpose, or contrariwise, which cannot. Thereby it also contributes to test and refine these theories and may be helpful for future comparisons.

Manfred G. Schmidt et al(2007), Peter Starke(2006), Giuliano Bonoli(2006), Nico Siegel(2006) and others have summarised the main theoretical approaches towards explaining social policy and categorized them into different “schools”. These different theoretical schools group approaches with regard to the factors that they consider decisive in determining welfare state development. In practice, most authors apply mixed approaches that take aspects from different schools into consideration. Yet, the distinction of different schools serves well to give an overview of the main theoretical “tools” used in contemporary political science social policy analysis. In the following I will make short reference to each theoretical school identified by the above mentioned authors, and on this basis present the hypothesis that will guide this text.

The so called school of “socioeconomic functionalism” assumes that the main determinant of social policy is the socioeconomic development of the underlying society. In an influential work Harold Wilensky(1975) argued on the basis of a comparison of 22 countries, that there is a positive relation between the level of economic development and the dimension of social expenditure as a percentage of the country’s GDP. Other authors argued that the emergence and expansion of social needs(growth of unemployment, ageing of the population etc.) exert

pressures on governments to respond with social policies to these needs. This kind of “automatism” cannot be observed in the Argentinean case. Contrariwise, it is the purpose of this text to explain why social policy has virtually not been responsive to the expansion of uncovered social risks during several decades.

Theories of the “power resources centred” and the “party centred” schools try to explain more concretely why the emergence and/or expansion of social needs can affect social policy. The first of the two argues, that social policy decisively depends on how capable the different interest groups are in influencing the government’s social policy agenda. The power resources theory has thereby put central emphasis on the political strength of working classes, arguing that powerful working classes are associated with bigger and more redistributive welfare states.(e.g. Korpi 1983, 1989, 2006) Some authors have also examined the power resources of more specific interest groups, which may constitute just a part of the working class or fractions of different classes.(e.g. Bonoli 2006) If, for example, pensioners are a big group and the organizations defending their interests(these can be: trade unions, pensioners associations, left parties etc.) are powerful, it is likely that social policy reforms will respond, at least to a certain degree, to their demands. On the contrary, if the unemployed are weakly organised, like they are in most cases, this school would assume that the chances are lower that their interests will occupy the same priority in the government’s social policy agenda as those of the before mentioned pensioners. The “party centred school” focuses more on the importance of the ideological standpoints of the different parties, and on the impacts of electoral competition. Most studies assume that strong social democratic/centre-left and left party representation in governments and parliaments favours welfare state expansion, or at least reduces the profoundness of cost containment reforms in comparison to their conservative counterparts. Lets consider again the example of the unemployed: The party centred school would assume that in a democratic system, the interests of the unemployed will be influential when unemployment is high, although they may be weakly organised, because they constitute an important constituency, which especially centre-left and left parties will try to mobilize to win elections. Giuliano Bonoli(2006) has argued that in western countries the would-be beneficiaries of welfare state adaptation to new social risks have often been small, dispersed and politically weak groups, which made it difficult for them to make governments take up their social policy interests. On the basis of empiric data with regard to the Argentinean social structure I will argue that this argument is not valid for the Argentinean case. The would-be beneficiaries of welfare state adaptation in Argentina comprise the majority of the population and are rather concentrated on the lower income strata than being dispersed over the society. In this sense, the politics of welfare state adaptation in Argentina are strongly related to

social classes and the distributive conflict between these. In accordance with the power resources theory, this text argues that welfare state adaptation failure has to be seen in the context of a shift of power from labour, which largely had an interest in adaptation measures, towards employers and international creditors, whose interests were strongly conflicting with the requirements of welfare state adaptation. Yet, the indicators commonly used by power resources theory studies for measuring working class power, namely left party strength and trade union affiliation and centralisation, are too narrow to adequately reflect the power relations in Argentina and the respective changes after the abandonment of the import substitution strategy. Therefore, a broader perspective on power will be applied that also considers the impacts of formal and informal institutions and of ideological power. Furthermore, it will be argued that a central weakness of the would-be beneficiaries of welfare state adaptation has been that the social forces representing formal workers and those representing informal and unemployed workers were not successful in building a political alliance.

Peter Starke(2006: 111/112) identified a theoretical school that focuses on the importance of ideas and ideologies. This school assumes that widespread perceptions of what constitutes a social problem and what not, or about the consequences of one or another alleged problem solution, have decisive influence on the direction of welfare state reform. So, for example, do Keynesian economists emphasise the benign economic effects of countercyclical social programmes, such as unemployment benefits, as these stimulate demand in times of crisis, while neoliberal or orthodox economists have recently been preoccupied with how unemployment benefits could be reduced or modified so that they would stimulate the expansion of the labour force and reduce the risk of inflation.(Bryson 2003: 81 – 88) It can also make an important difference, whether the predominant perception in the society is that the unemployed have too little incentives to look for work and are therefore unemployed, or whether people generally assume that unemployment has causes that are not the individual's responsibility. Perceptions are always heterogeneous, but the predominance can shift over time and can differ geographically. These ideological shifts (from keynesianism to neoliberalism, from welfare to workfare etc.) may have direct influence on what governments consider appropriate in the sphere of social policy, and/or indirect impact, as politicians in democratic systems have strong incentives to avoid policy decisions that are widely regarded inappropriate. This text will argue that the predominance of neoliberalism as guiding ideology during the military dictatorship and the governments of the 1990s significantly contributed to the failure of welfare state adaptation. The prevalence of a neoliberal common sense explains a considerable part of why social policy reform during the 1990s has constituted a setback rather than a progress with regard to welfare

state adaptation, although a labour-based party was governing and the trade unions continued to show high affiliation rates.

Another school, summarised by Tobias Ostheim(2007: 75 – 83), focuses on the impact of globalisation processes on social policy. Early authors that have been grouped into this school assumed that governments tend to compensate social risks that emerge from increased financial and trade openness.(e.g. Cameron 1978: 1255 – 1259) More recent literature often found that globalisation rather stimulates welfare state retrenchment than expansion, arguing that high non-wage labour costs associated with the welfare state diminish the competitiveness of the national economy in comparison with international competitors.(e.g. Strange 2003, Scharpf 2000, Rhodes 2000) However, another group of scholars argued that there are no clear direct and empirically sustainable effects of globalisation on welfare state development.(e.g. Kite 2004, Swank 2003) Nevertheless, it seems very important for the direction of social policy reforms how governments and other influential actors perceive the relationship between globalisation and the welfare state. For this reason, the impact of globalisation is hardly separable from the influence of predominant ideologies, interpretations or perceptions. Furthermore, the kind of globalisation that has been advanced during the last decades contributed to the shift of power in detriment of labour and in favour of capital, particularly of the financial sector.(e.g. Olsen/O'Connor 1998: 21) It moreover increased the influence of international actors like the IMF, the World Bank and the Inter-American Development Bank(e.g. Huber 1996: 161), who pursued social policy reform goals that were largely contradicting welfare state adaptation. In this sense, this text will argue that the effects of globalisation on the politics of welfare state adaptation failure have been indirect.

A further school argues that welfare state reform is strongly determined by past decisions. So, for example, Gøsta Esping-Andersen(1990) found in his very influential study about the genesis and development of different welfare state types(regimes) that the historical legacy of the respective welfare state determines to an important degree its actual constellation. Two reasons can mainly be made responsible for this “path-dependency”. On the one hand, once chosen institutional designs can often only be changed at high costs at a later point. While some institutional designs, such as those of the rather universalistic Scandinavian welfare states, seem to require only minor modifications that can be effected within the logic of the system in order to respond adequately to the new social needs associated with labour market changes, the design of the Argentinean welfare state required much more profound reforms, which considerably raised the difficulty and the costs of welfare state adaptation. This text will argue in this regard, that the once chosen social policy design, which was largely based on the insurance principle, proved particularly unable to provide protection against the social risks that resulted from the

transformation of the labour market after 1975. On the other hand, past policy decisions create vested interests, which are likely to be defended in the future, and may create political patterns and dynamics that become institutionalised in the long run. By this, past social policy decisions can modify the polity that canalises the contemporary politics of the welfare state. As will be argued in this text, path-dependency is an important factor for explaining the inability of the Argentinean welfare state to adequately respond to the new constellation of social needs within the society. Vested interests have been peculiarly strong in the health insurance sector. The fact that the trade union leaders were endowed with ample control over the health insurance funds of their respective occupational group created incentives for these to defend a highly fragmented and inequitable system against progressive reform proposals during the 1970s and 1980s that would have favoured particularly the most vulnerable sectors of the society, but also increasingly big parts of the trade unions' rank and files. This contributed, among others, to the failure to form a political alliance between the trade union movement and the organisations of the unemployed and informal workers, which ultimately weakened the political power of the would-be beneficiaries of welfare state adaptation.

Another school of theories focuses on the importance of institutions. Susana Belmartino(2005a), Fabián Repetto y Javier Moro (2004) argued that institutions influence which actors are involved in social policy making and how these are related to each other. In an influential text, George Tsebelis(1995) considered that the more actors (“veto players”) are provided with the institutional power to block political decisions, the lesser is the government’s ability to introduce big changes on its own, which can slow down social policy reform, where usually strongly divergent interests are at stake. However, the Argentinean political system has very weak institutional veto players and very ample presidential powers.(e.g. Negretto 2002, Rubio/Goretti 1996) In this text I will argue that mainly the analysis of the informal institutions associated with the Argentinean political system contribute to an explanation of why welfare state adaptation has failed. The lack of democracy within the dominant peronist party, the trade unions and many of the biggest social movements, as well as the common practice of welfare state clientelism, have significantly narrowed the possibilities of the poorer sectors of the society to take advantage of their numerical strength and to influence the social policy agenda in their favour. Furthermore, these institutions have provided important incentives for office holders to avoid welfare state adaptation, as the establishment of genuine social rights would have limited the possibilities of vote-for-favour strategies.

2 LABOUR MARKET TRANSFORMATION AND WELFARE STATE

REFORM: THE ARGENTINEAN CASE 1975 – 2010

This chapter has the purpose to lay the empirical foundations of the assumption which constitutes nothing less than the point of departure of this work: the failure of welfare state adaptation in the context of profound labour market changes.

In the first part of this chapter the evolution of the Argentinean labour market since the abandonment of the ISI strategy in the mid 1970s will be analysed. It will be argued that this evolution was very unfavourable for the poorer sectors of the society, which led to a stark expansion of social needs.

In the second part of this chapter the main social policy changes since 1975 will be analysed. According the logic of the “socioeconomic school”, the expansion of certain social needs created strong demand-side pressures on the welfare state. However, as will be seen, the Argentinean welfare state has not been reformed towards covering these social needs.

Furthermore, these parts enable us to identify the dominant patterns in social policy reform after 1975, which will be used as a basis from which we will depart our analysis of the politics of welfare state adaptation failure in chapter three.

In a third part of this chapter, I will refer to the discussions about how to categorize the Argentinean welfare state with the regime approach, and whether Argentina has shifted from a predominantly “corporatist” model towards a “liberal” model or not. This point has been included because recent studies have found that the welfare state regime membership is a key variable for explaining success or failure of welfare state adaptation.(Bonoli 2006: 24 – 26, Tepe/Vanhuyse 2010: 230) Within this chapter we will concentrate on the institutional aspects of the Argentinean welfare state regime and its implications for welfare state adaptation. The politics associated with the Argentinean welfare state model, and its implications for welfare state adaptation failure will be discussed in chapter three.

2.1 The deterioration of the Argentinean labour market conditions and the expansion of social needs after 1975

Labour markets and welfare states are related to each other in several ways. As has been argued in the introduction, the labour market decisively determines the magnitude of social risks

such as unemployment and precarious employment. Rising female labour market participation creates new social demands, such as child care facilities and income maintenance during maternity leave. Social insurance schemes, such as the Argentinean health and pension systems, designed in the expectation of permanent full employment, become increasingly exclusionary when unemployment, precarious employment and wage differentials increase, and individual registered work histories are becoming more unstable. Therefore, new trends on the labour market require in most cases welfare state adaptation to be able to adequately cover social risks.

The other way round, welfare states also impact on the evolution of the labour market. So, for example, can social programmes decisively influence wage levels, especially for low income groups. If the welfare state guarantees universal benefits that allow people to live without labour market participation, jobseekers will not have to accept jobs that are paid worse than the minimum guaranteed by the state. In this sense, income maintenance programmes can strengthen the position of workers in wage bargaining and de facto fix a bottom line for low wages. Contrariwise, the absence of income maintenance programmes for the unemployed allows the virtual free fall of lower wages when labour market conditions deteriorate, unions are weakened and minimum wages are inexistent, too low, or simply not applied, as it is the case in big parts of the informal economy.

The social insurance centred corporatist design of the Argentinean welfare state can be considered particularly unprepared for the changes that hit the Argentinean labour market from the mid 1970s on, mainly as it did not contain any kind of unemployment insurance or non-contributory income maintenance programmes for unemployed and precarious workers. At the same time, the Argentinean labour market transformations after the abandonment of the ISI strategy were peculiarly profound.

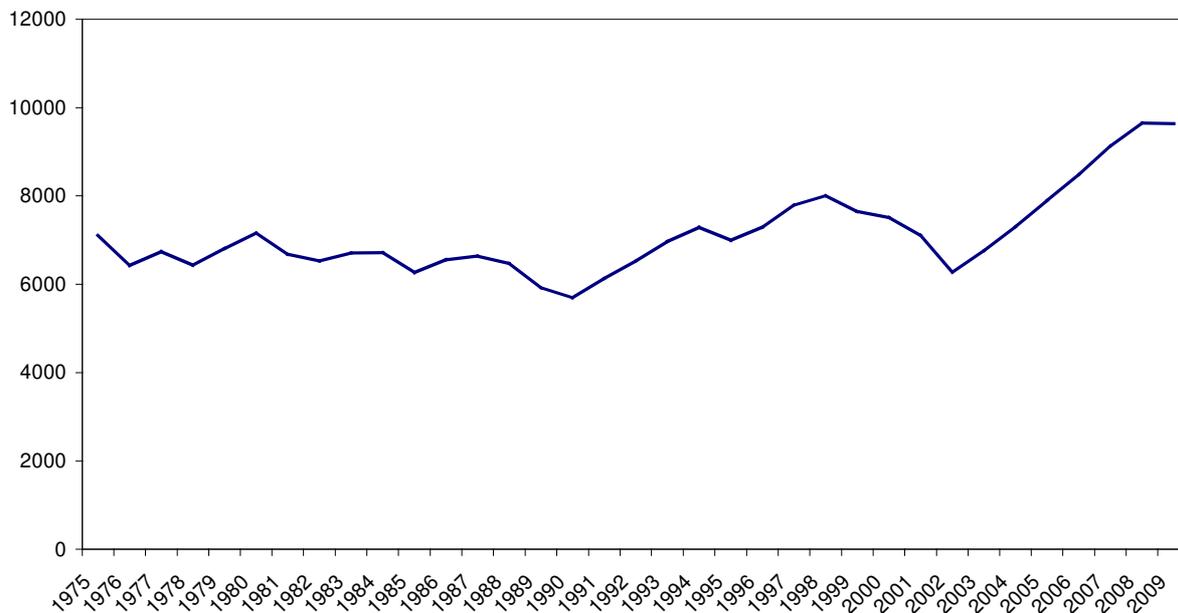
In this part of chapter two, the central labour market variables that express these transformations and that have been considered central regarding the welfare state, will be analysed. These variables are: unemployment, informal employment, unstable work histories, wage (respectively income) evolution and female labour market participation.

a) The political and economic context of the Argentinean labour market transformation

Following the military coup of 1976, the new dictatorial government implemented a radical change of the economic development strategy from import substitution to world market integration. Within very short time it eliminated export taxes, reduced import barriers, liberalised cross border financial transactions and deregulated the domestic financial market.

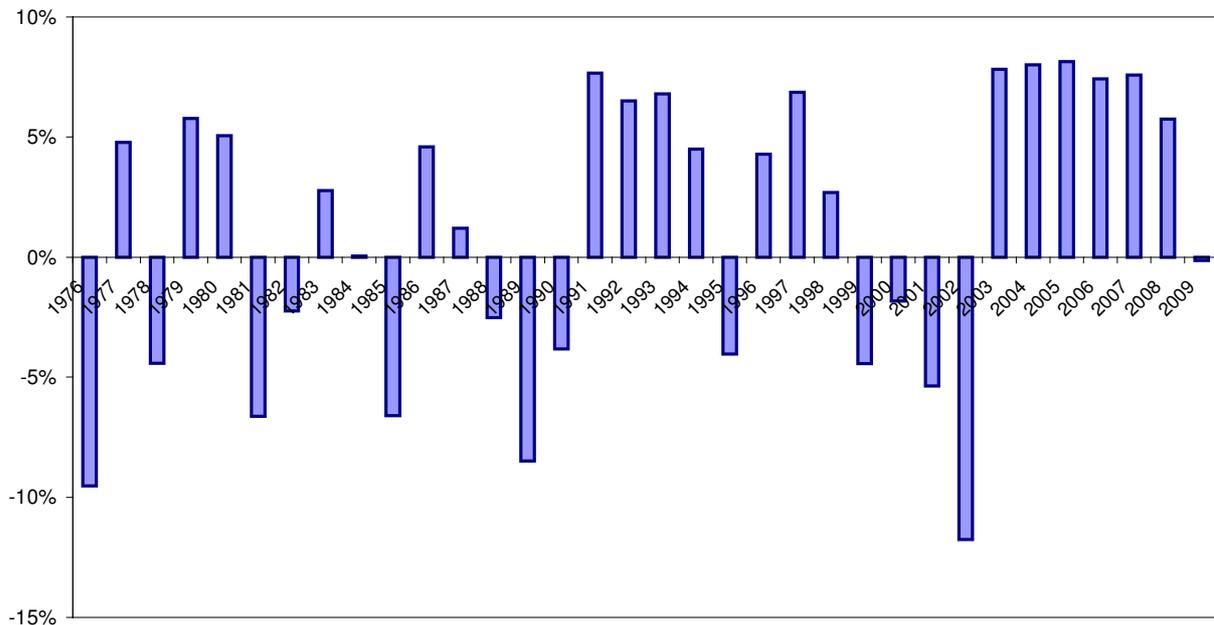
(Beccaria/Groisman/Maurizio 2009: 13) The following quarter of a century has been characterised by recurrent crises, growing foreign debt and a steady deterioration of the labour market.

Figure 3: GDP per capita in Pesos of 1993, between 1975 and 2009



Elaborated by the author. Sources: INDEC database for 1980 – 2009, Vargas de Flood(2006 : 201) for 1976 - 1980

Figure 4: GDP per capita growth in % points between 1976 and 2009



Elaborated by the author. Sources: INDEC database for 1980 – 2009, Vargas de Flood(2006: 201) for 1976 – 1980

As Mario Damill and Roberto Frenkel(2006: 109/110) argue, the evolution of the Argentinean labour market has been strongly related to this change in the development strategy and to the weak macroeconomic performance associated with the new model. In this sense, the weak economic performance and the particular form of world market integration of the Argentinean economy after the mid 1970s contextualises the expansion of social needs, and hence, new demands towards the welfare state. Yet, at the same time, as for example pointed out by Stephan Haggard and Robert R. Kaufman(2008: 181 – 220), weak macroeconomic performance and world market competition also created counter pressures that have been argued to constrain the political and economic viability of welfare state adaptation. In chapter three I will come back to what will be described in this part, in order to examine the impacts of weak macroeconomic performance and world market integration on the politics of welfare state adaptation. For now, the focus will be on giving an overview over the macroeconomic and political context of labour market deterioration during the last three and a half decades.

Grossly four periods can be distinguished with regard to this.

The first period, between 1976 and 1983, is characterised by the implementation of the first wave of neoliberal economic reforms. The particular strategy towards world market integration comprised, besides the mentioned deregulating reforms, the suspension of collective wage

bargaining and the overvaluation of the Argentinean currency. These reforms were justified with the high inflation experienced by the country since the mid 1970s. The suppression of collective wage bargaining led to an average real wage reduction of over 30 % in 1976. This general wage reduction was accompanied by increasing wage differentials, as lower wages fell comparatively stronger than the higher ones.(Beccaria/Groisman/Maurizio 2009: 14) The overvaluation of the local currency, combined with the liberalisation of trade, reduced the competitiveness of national industries and led to a rapid rise in foreign debts. The reforms had some initial success in reducing inflation rates, but led to a deep financial crisis in 1981/82, which was finally responded with a devaluation of the currency.(Damill/Frenkel 2006: 110) The severe economic difficulties experienced by the country can be observed in figures 3 and 4. The over 5.5 % fall of the per capita GDP between 1975 and 1983 indicates a significant loss of wealth of the society as a whole, which, as will be seen later, came along with an increasing unequal distribution of the remaining wealth.

The second period, from 1984 until 1989, was characterised by heterodox economic policies, high inflation, high foreign debts, internationally high interest rates, reduced access to new credits and unfavourable terms of trade. The dramatic rise of the public foreign debt derived in big part from the decision of the military government in 1982 to nationalise the external debts of the private sector, which emerged highly indebted from the experience of trade openness. Furthermore, in 1980 the government decided to exempt employers from contributions to the pension system and the national housing fund in order to increase their competitiveness. (Barbeito/Lo Vuolo 1998: 127) Therefore, the public deficit grew significantly and reached about 15 % of the GDP in 1982 and 1983.(Beccaria/Groisman/Maurizio 2009: 15) The high foreign debt obligations, in combination with the other unfavourable circumstances mentioned above, led to a persistent deterioration of the economic and social situation, which is why this period has often been called “the lost decade”, although Argentina successfully returned to democracy in 1983. In this context, the government did not manage to control inflation rates, which were rising steeply from 1987 on and culminated in the hyperinflation crisis of 1989/1990. Between 1983 and 1989 the per capita GDP shrank nearly 12 %.(See figures 3 and 4)

The third period, from 1990 to 2001, was characterised by the implementation of a second wave of neoliberal reforms, which comprised the almost complete privatisation of public enterprises, fiscal austerity, the removal of most of the remaining trade and financial market regulations, the flexibilisation of the labour market, and the pegging of the Argentinean currency to the dollar on a one to one basis.(Lo Vuolo 1998b: 189/190) The latter implied a new overvaluation of the Argentinean currency, which was even exacerbated during the first years of

the 1990s, because, despite a rapid decline, the Argentinean inflation rate remained considerably above the one of the United States. Although the government managed to get inflation rates under control and economic growth returned, Argentina experienced in the 1990s what might be called “anti-poor growth”⁸. While the GDP experienced high growth rates between 1991 and 1998⁹ the deterioration of the labour market continued. The average real wages stagnated on a low level, income inequalities increased, unemployment and precarious employment expanded rapidly, and regular full time employment shrank.(Beccaria/Groisman/Maurizio 2009: 16/17, Damill/Frenkel 2006: 110, 125 – 131) In this context, rising rates of absolute poverty reflect mainly the increasingly unequal distribution of the growing national product.(Beccaria 2007: 557) Like in the late 1970s, the combination of an overvalued currency with financial and commercial deregulation showed initial positive effects on growth and inflation, but proved unsustainable in the long run. The overvaluation of the local currency diminished the competitiveness of national manufacturing industries. In order to compensate the competitive disadvantage posed by the expensive currency, companies exerted strong downward pressures on wages and focussed on the rationalisation of the production via the importation of more efficient machinery to replace labour force. The new structure of relative prices therefore favoured the importation of both capital and consumer goods, which resulted in a negative foreign trade balance. In this context, the attraction of foreign capital was the only way to maintain the pegging of the Argentinean peso to the US dollar. In the first years of the 1990s significant amounts of foreign capital were invested in Argentina, mainly due to favourable conditions on the international financial markets and the sale of state enterprises to foreign investors. However, the deregulation of financial markets made capital flows into and out of Argentina extremely volatile, so that changing circumstances on the international financial markets, or the exhaustion of privatisation possibilities, could rapidly revert the direction of capital flows. Taking into consideration the already high foreign debt and the strong dependence on the inflow of foreign capital, the volatility of capital flows constituted an enormous vulnerability for the Argentinean economic model of the 1990s. Already in 1994/1995, the so called “Tequila crisis” evidenced this. Although the crisis originated in Mexico, its impact on the international financial markets resulted in a reduction of capital flows into Argentina. As a direct consequence, the economic growth turned negative and unemployment shot up to over 18 %. However, with the financial help of the International Monetary Fund(IMF) Argentina was able to quickly overcome this crisis. Yet, when in 1997/1998 crises hit several Asian countries, Russia and Brazil, international

⁸ In allusion to the fashionable notion of “pro-poor growth”.

⁹ With the exception of the 1994/1995 “Tequila crisis”.

financial market conditions turned unfavourable for Argentina again, which immediately triggered a local economic crisis. Towards the second half of 2001 the deterioration of the economy began to accelerate. In this context, also the social and political situation became increasingly acute. President De la Rúa's government coalition had already lost the legislative elections in October 2001, when towards the end of the year social protests reached new magnitudes. After one week of heavy protests and violent repression, which caused 26 deaths, president De la Rúa resigned from government. His successor, Eduardo Duhalde, announced a debt default and finally decided to break with the currency exchange model of the 1990s by allowing the Argentinean peso to float on the international currency markets, which, in practice, implied a strong devaluation. In 2002, after nearly four years, the crisis finally culminated with an accumulated reduction of the GDP of over 20 %, with 21 % unemployment, over 50 % of the population living with a per capita household income below the absolute poverty line, and unprecedented levels of inequality.(For numbers see: Vargas de Flood 2006: 201, Beccaria/Groisman/Maurizio 2009: 21; For economic and political history see: Messner 1996, Barbeito/Lo Vuolo 1998, Beccaria/Groisman/Maurizio 2009, Damill/Frenkel 2006, Golbert 2004) Although the per capita GDP was about 10 % higher in 2002 than in 1990 (in the middle of the hyperinflation crisis), inequality had increased so strongly during this period, that the social situation was significantly worse in 2002. Compared to 1975, the per capita GDP was about 12 % lower in 2002, which shows how weak the Argentinean macroeconomic performance was during the last quarter of the 20th century.(See figures 3 and 4)

The fourth and last period, was characterised by the economic recuperation after 2002. In contrast to earlier currency devaluations, the 2002 devaluation did not lead to a similar inflation process.¹⁰ Beccaria, Groisman and Maurizio(2009: 21) argue that the high unemployment rates, the ample industrial excess capacities and the weak national demand prevented the transmission of the devaluation into rising prices. Consequently, the value of the national currency, which hitherto had been a constraint to the international competitiveness of the Argentinean economy, converted into a comparative advantage. The new structure of relative prices favoured the competitiveness of many national products in detriment of their imported counterparts and posed incentives to expand exportation. This also produced a reversal of the flows of capitals and tradeable goods and services. While the economic strategy of the 1990s precipitated a negative trade balance, and therefore required capital inflows which it could not sustain in the long run, the devalued currency triggered a high export surplus and considerable capital outflows. In this context, labour intensive sectors like manufacturing industries and the construction sector

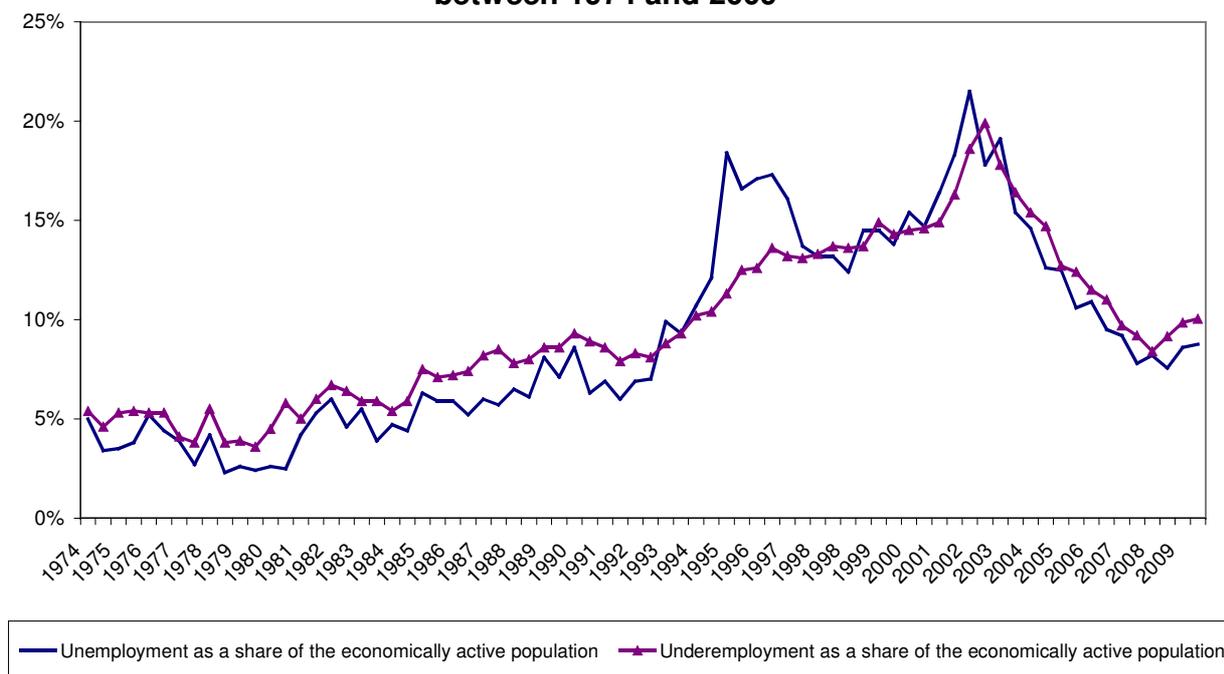
¹⁰ Recently in the second half of the decade the inflation begins to rise significantly again.

expanded notably. This macroeconomic recuperation translated rapidly into falling unemployment rates and later also into rising wages, which hence created positive effects on the national demand. The implementation of export taxes furthermore improved the fiscal situation of the national government.(Damill/Frenkel 2006: 115/116) The per capita GDP increased over 53 % between 2002 and 2009.(See figures 3 and 4)

b) The evolution of employment and unemployment after 1975

The evolution of employment and unemployment plays a central role for any welfare state. In social policy regimes that build strongly on the principle of social insurance, as it is the case in Argentina, unemployment can reduce or eliminate entitlements to old age pension and healthcare, and cause severe financial problems for pension systems. Moreover, the Argentinean welfare state did a long time not comprise any unemployment insurance nor non-contributory unemployment allowance. Unemployment constitutes thereby one of those social risks that have not been adequately covered by the Argentinean welfare state. As long as unemployment is low the social consequences of this gap in the social safety net may be limited, but as soon as unemployment rises an increasing incidence of poverty seems to be unavoidable.

Figure 5: Unemployment and involuntary underemployment between 1974 and 2009



Elaborated by the author. Source: INDEC Database/Permanent Household Survey(EPH)¹¹

¹¹ Until May 1995 the EPH was conducted in 25 agglomerations. From October 1995 on three further agglomerations have been included: Concordia, Río Cuarto and Mar del Plata-Batán. Since October 2002 the EPH incorporates three additional areas: Viedma-Carmen de Patagones, San Nicolás-Villa Constitución and Rawson-Trelew. Since then the survey is realized in 31 agglomerations. From 2007 on the survey is conducted four times each year.

Figure 6: Economically active population and employment between 1974 and 2009



Elaborated by the author. Source: INDEC database/Permanent Household Survey(EPH)¹²

During the first period following the abandonment of the ISI strategy(1976 – 1983), unemployment remained relatively low. As can be seen in figure 5, the unemployment rate oscillated between 2.3 % and 6 % and was 3.9 % in average. Involuntary underemployment experienced a very similar evolution. Although, as has been discussed earlier, foreign trade opening and overvalued currency exerted pressures on companies to reduce personnel costs, this did not immediately result in rising unemployment, partly because the suspension of collective bargaining and the elimination of employers’ contributions to the housing and pension funds resulted in significant personnel cost reductions for enterprises. Furthermore, the military government used the possibility to build up foreign debt to finance public investment, especially in preparation of the Football World Cup, which took place in 1978 in Argentina.(Lo Vuolo 1998a: 53/54) A further reason seems to be that the reduction of wages led to a reduction of incentives to work, or to look for work, for those who were in position to choose. As can be seen in figure 6, the economically active population(EAP) as a share of the total population decreased from 39.9 % in May 1976 to 37.3 % in October 1983.

Between 1984 and 1989, unemployment and underemployment experienced a gradual increase. In average 6 % of the economically active population were considered unemployed

¹² Same as footnote 11.

during the period. Unemployment rose in comparison to the period 1976 – 1983, but it still remained relatively low. (See figures 5 and 7) If we consider, that there was no kind of income transfer programme for the majority of the unemployed, it becomes clear that people had to do anything possible to avoid unemployment. Many of those who lost their jobs during the 1980s switched as self-employed into the informal economy. In this context, the deterioration of employment conditions in the 1980s is partly reflected by the growth of the informal economy, as we will analyse in more detail later, and partly by the rise of unemployment. (Beccaria/Groisman/Maurizio 2009: 25 – 29) In this period, as can be seen in figure 6, the EAP increased slightly, while the share of the employed population slightly fell.

The third period, from 1990 to 2001, started in the middle of the hyperinflation crisis and ended up with a financial crisis and the collapse of the convertibility regime¹³. Both crisis had strong negative effects on the socioeconomic structure of the Argentinean society and resulted in a shooting up of poverty rates. Despite these commonalities, the labour market impacts of these two crises were quite different. As can be seen in figure 5, unemployment did not increase very much during the hyperinflation period 1989/1990. The unemployment rate was 6.1 % in the second semester of 1988 and rose during hyperinflation to a maximum of 8.6 % in the first semester of 1990, but fell to again to 6.4 % in the second semester of 1990. The increase in poverty during the hyperinflation is therefore rather the result of the deterioration of wages and incomes than of increasing unemployment. From 1991 the government gained control over inflation again by pegging the exchange rate of the Argentinean peso one-to-one to the dollar. As has been described earlier, this has been done on the basis of a strongly overvalued peso, which resulted in a competitive disadvantage of the Argentinean economy with regard to the production of tradeable goods and services. The new price structure resulting from this exchange rate regime had significant impacts on the evolution of employment and unemployment during the 1990s. The expensive peso created unfavourable conditions for important parts of the manufacturing industries, of which many closed their production in Argentina, or moved big parts of it into other countries. At the same time, those who remained “rationalised” their production by reducing the number of workers, as the overvalued currency made wages comparatively expensive, and extended the importation of machinery, which resulted cheaper due to the new exchange rate. While during the 1980s many of those who lost their jobs were able to escape into the informal sector, the capacity of this sector to absorb new labour force was largely exhausted during the 1990s. Luis Beccaria and Fernando Groisman(2009a: 109) suppose that this has partly to do with the fact that the new economic policy also negatively affected important parts of the

¹³ The convertibility regime refers to the one-to-one pegging of the Argentinean peso to the US dollar.

informal economy. So, for example, can be assumed that the proliferation of supermarkets and shopping centres deteriorated the viability of small informal commercial enterprises. In this context, despite high economic growth rates, the 1990s are characterised by a persistent increase in unemployment levels, as can be seen in figure 5. Due to the contagion effect of the Mexican “Tequila Crisis”, unemployment reached the unprecedented level of 18.4 % in the first semester of 1995. Although the crisis was quickly overcome, unemployment levels did not return to the levels of the early 1990s. Until the second semester of 1998, unemployment fell 12.4 %, but the beginning of a new crisis resulted in a rapid increase again. Until the first semester of 2002, unemployment rose to 21.5 %, which equates an increase of over 9 % points. The average unemployment rate has been 12.7 % between 1990 and 2001, and thereby more than twice as high as in the period from 1984 – 1989¹⁴. (See figure 7) As can be seen in figure 5, involuntary underemployment increased in line with the unemployment levels during the 1990s, which resulted, taken together, in a strong decrease of full-time employment. As can be seen in figure 6, rises in unemployment are related to a growth of the economically active population and a simultaneous decline of the employment rate, which reaches extraordinary low levels.¹⁵

From 2002 until 2009, employment increased and unemployment fell significantly. As can be seen in figure 5, the incidence of unemployment persistently decreased between the first semester of 2002, from the very high level of 21.5 %, until the second semester of 2008, where it reached 7.6 %. In 2009 there is a 1 % point increase due to the international financial crisis, but recent information indicates that unemployment is falling again in 2010. Mario Damill und Roberto Frenkel(2006: 116/121) relate this positive tendency to the economic recuperation and the devaluation of the Argentinean peso, which created favourable conditions for employment generating growth, in contrast to the experience of “jobless-growth” during the 1990s. However, between 2002 and 2010 the average unemployment rate was 12.2 % and thereby only slightly lower than in the period 1990 – 2001. (See figure 7) On the one hand, this has certainly to do with the fact that the period began with a very high unemployment level, and therefore the average does not show adequately the reduction that has been reached. On the other hand, unemployment levels stagnated, or even rose, from 2007 on, and as Fernando Groisman(2008: 202/203) points out, the consolidation of a profound social and sociogeographic segmentation over more than 30 years obstructed the labour market entry of many of the very poor. As can be seen in figure 6, both employment and the EAP expanded significantly, although employment expanded stronger

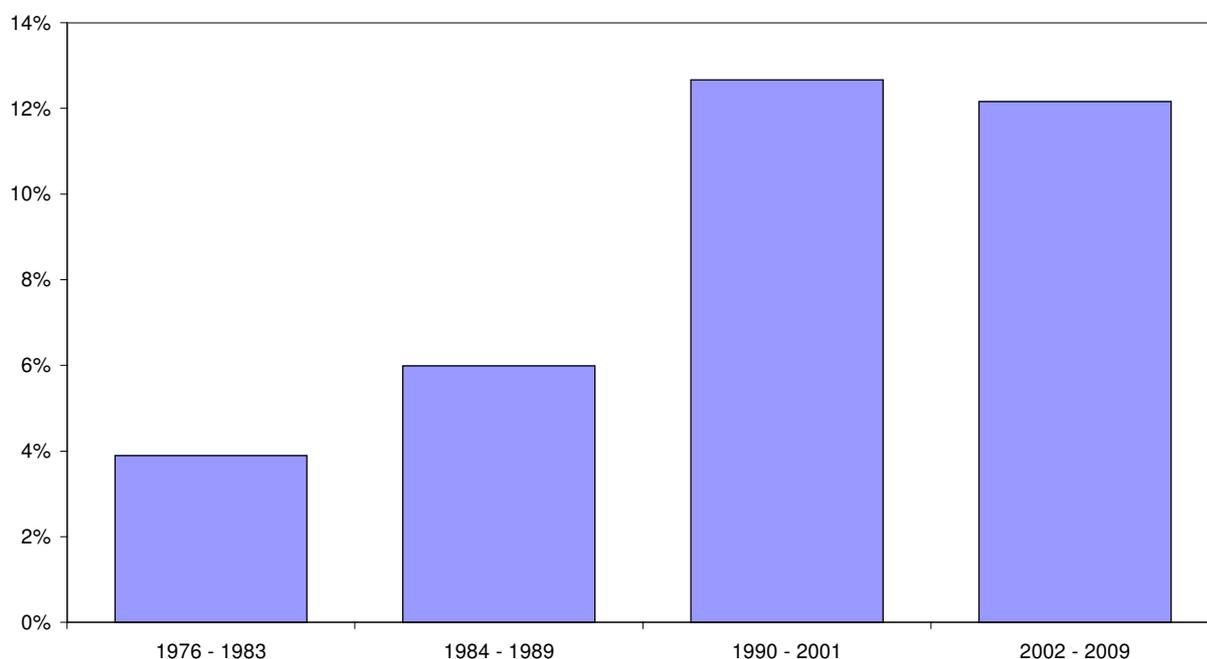
¹⁴ 6 %.

¹⁵ In the first semester of 1996 only 34 % of the population have paid work and in the first semester of 2002 another lowest point is reached with only 32.8 %.

and therefore accounted for the fall in the incidence of unemployment. However, there remains an important breach between these two variables.

Finally, it is important to make some remarks regarding the interpretation of these numbers. The unemployment rate is calculated on the basis of the Permanent Household Survey (EPH) of the National Statistical Institute (INDEC). The criteria applied by the INDEC is very strict, so that already somebody who worked one hour during the week before the survey is not considered unemployed. Furthermore, persons who did not actively look for work in the week of the survey are considered economically inactive and therefore not unemployed. The lack of decent income maintenance programmes for the unemployed means that unemployment is simply not an option for most of the people, as this would mean the complete loss of income. Therefore, many people that would be unemployed in western countries try to survive in the informal economy in Argentina. Considering these two aspects, it becomes clear that the official unemployment rate does only reflect one part of the deterioration of the labour market conditions in Argentina. Other aspects are the expansion of the informal sector, the decrease of average wages, the rise of income inequalities and unstable work histories, which will be analysed in the following points.

Figure 7: Average unemployment rates in four periods after 1975



Elaborated by the author. Source: INDEC Database/Permanent Household Survey (EPH)¹⁶

¹⁶ Same as footnote 11.

c) The expansion of informal employment after 1975

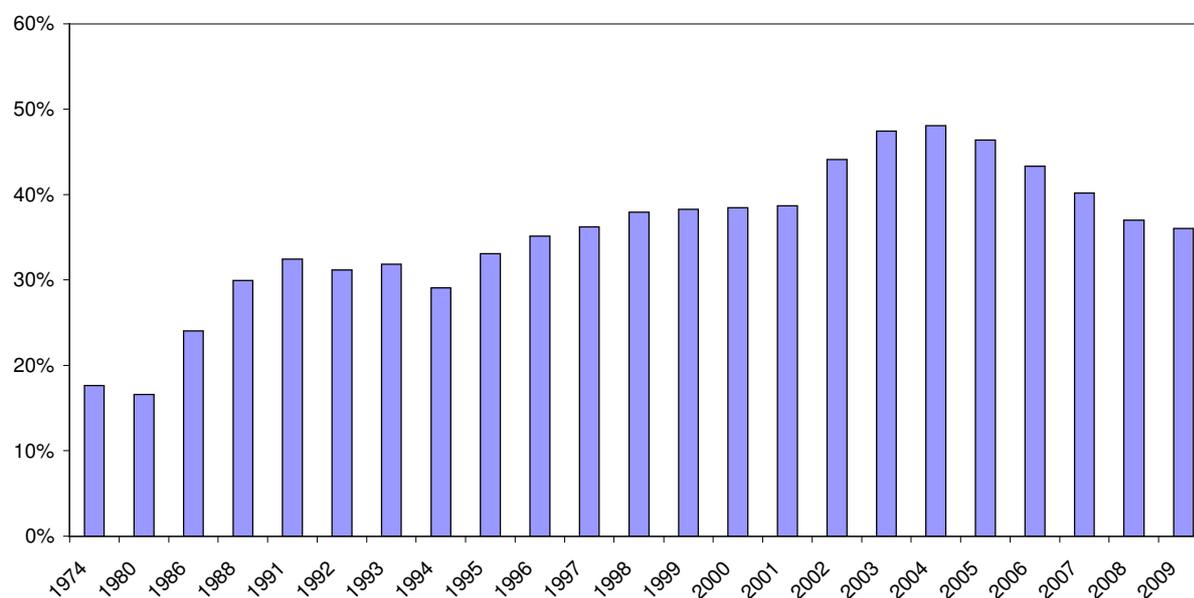
Informality poses severe constraints to the effectiveness of corporatist welfare states, as it triggers in most cases the exclusion from a big part of welfare state protections, namely those associated with the social insurance principle.

Before analysing the evolution of informal employment, it is necessary to distinguish between two different concepts of informality that are commonly used. One of the most applied concepts originates from the International Labour Organisation (ILO) and is often called “productive informality”. “Productive informality” refers to the small size and low productivity of the enterprises which compose the informal sector. For operational reasons the following criteria is commonly used for its measurement: “A worker is considered informal if (s)he is a salaried worker in a small firm, a non-professional self-employed, or a zero-income worker. A firm is considered small if it employs less than 5 workers.” (SEDLAC database, <http://sedlac.econo.unlp.edu.ar>, 09/17/2010) The concept of “legal informality”, in contrast, refers to the informal/unregistered legal status of the worker himself. Sometimes legal informality measurements refer only to unregistered salaried employment, like it is the case in figure 8. Luis Beccaria and Fernando Groisman (2009a: 95 – 102, also see figure 9) apply a broader approach and consider unregistered self-employed workers, unregistered salaried workers, domestic service workers and auxiliary family workers as legally informal workers. The term unregistered refers to the evasion of work regulations and is usually measured with the criteria of whether the worker is registered with the national pension system or not. (SEDLAC database, <http://sedlac.econo.unlp.edu.ar>, 09/17/2010) This criteria also applies for self-employed workers in Argentina, as also those are obliged to pay contributions to the pension system. (MTEySS/ILO 2007)

For the purpose of this text, legal informality is the more interesting categorisation, as it measures the relative number of workers who do not pay social insurance contributions, and who are hence not building up the corresponding entitlements. If legal informality expands, the coverage of social insurance and/or the benefits paid out can be assumed to fall. This is likely to be a short term result in health insurance and a medium to long-term effect in the pension system.

In the following, the term informal employment will always refer to the concept of legal informality.

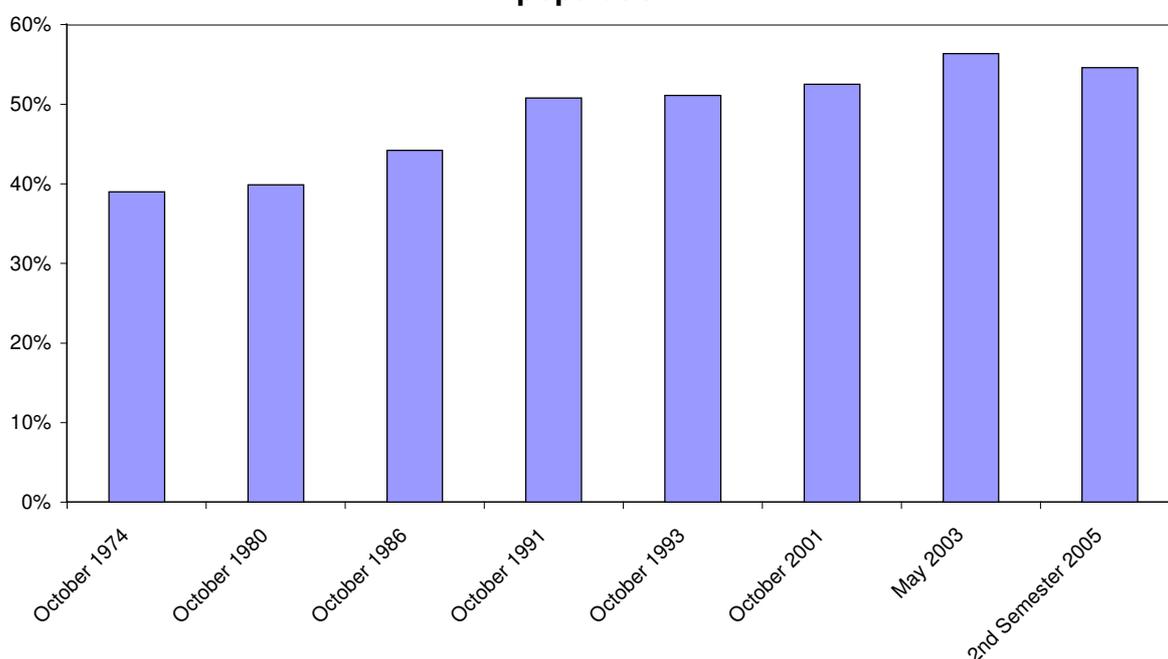
Figure 8: Unregistered salaried employment as percentage of total salaried employment



Elaborated by the author. Sources: Beccaria/Groisman (2009a: 110) for the years 1974 and 1980, SEDLAC Database (09/17/2010) for the years 1986 - 2009¹⁷

¹⁷All numbers are based on the results of the Permanent Household survey which has been conducted in the agglomeration of Buenos Aires until 1991, then in 15 agglomerations until 1997, then in 28 agglomerations until 2006, and from 2007 on in 31 agglomerations.

Figure 9: Informal working population as a share of total working population



Elaborated by the author. Source: Beccaria/Groisman (2009a: 110, 133)¹⁸

With regard to the first period, from 1976 to 1983, there is only data available for the year 1980. To be able to make some assumptions about the evolution of informal employment after the abandonment of the ISI strategy from 1976 on, data from 1974 will be used as point of reference. On this basis it can be assumed that the incidence of informal employment remained relatively stable during the first period, at least until 1980. As figure 8 shows, the proportion of unregistered salaried employment¹⁹ slightly decreased from 17.6 % in 1974 to 16.6 % in 1980. This has possibly to do with the fact that the military government suspended employers' contributions to pension and housing funds to reduce personnel costs for enterprises and to promote registered employment.(Barbeito/Lo Vuolo 1998: 337) Hence, there have been less incentives for employer's to create unregistered jobs because pension and housing fund contributions constituted the biggest part of the non-wage labour costs. If unregistered self-employed workers, domestic service workers and auxiliary family workers are also included, informal employment slightly rose from 39 % of the employed population in 1974 to 40 % in

¹⁸ Luis Beccaria and Fernando Groisman include the following groups in their definition of informal employment: informal/respectively unregistered self-employed workers, unregistered salaried workers, domestic service workers and auxiliary family workers(Beccaria/Groisman 2009: 101/102)

¹⁹ In relation to the total of salaried workers.

1980.(See figure 9) This slight increase is related to an overall reduction of salaried employment and an increase of the number of self-employed workers, of which many chose to work in legal informality. The relative stability of informality rates during the first period after the abandonment of the ISI strategy has also to be seen in the context of a steep increase in foreign debt and the assumption of big parts of employer's non-wage labour costs through the national government, which may account for the delay of some labour market effects resulting from commercial and financial liberalisation combined with the overvaluation of the national currency.

For the second period, 1983 to 1989, I have data for the years 1986 and 1988 with respect to unregistered salaried employment, and data for 1986 only regarding total informal employment. Therefore, data from the years 1980 and 1991 will be used as points of reference to identify the trends that have prevailed throughout this period. Unregistered salaried employment experienced an important increase in relation to formal salaried employment. While its relative weight was 16.6 % in 1980, it rose to 24 % in 1986, to 30 % in 1988 and ended up with 32.5 % in 1991.(See figure 8) The informality rate among salaried workers nearly doubled between 1980 and 1991. Also informal employment as a whole increased its share of the total employed population, constituting 40 % in 1980, 44.2 % in 1986 and nearly 51 % in 1991.(See figure 9) The rise of informality during the 1980s reflects the weak economic performance during this period. In addition, the high debt burden, that has been built up during the military government, and the increase in international interest rates, made it impossible for the democratic government of Raul Alfonsín to go on with the policies of economic promotion, financed by foreign debt, that have been implemented by the military dictatorship. In 1984, the government reintroduced employer contributions to the pension and housing funds, which increased incentives for employers to save non-wage labour costs through informal employment.(Barbeito/Lo Vuolo 1998: 337)

During the third period(1990 - 2001), unregistered salaried employment first decreased during the high growth years from 32.5 % in 1991 to 29 % in 1994. From 1995 on, the relative weight of unregistered salaried employment increased again, reaching nearly 39 % in 2001.(See figure 8) This steep upward tendency was related to the so called convertibility plan, which resulted in a strongly overvalued currency, and a new wave of neoliberal reforms, which included further deregulation of foreign trade and financial flows. The combination of these policies exerted strong pressures on companies to reduce wage costs, which was partly done by evading social insurance contributions. At the same time, the unemployment weakened the power of the trade unions, so that these were less able to reinforce the right to formal employment. According to information of the ministry of work(MTEySS 2007: 5), only 5 % of the newly created salaried

jobs were registered employment between 1991 and 2001. The overall informal employment rate increased as well, but far slower than the incidence of unregistered salaried employment, departing from 51 % in 1991 and reaching 52.5 % in 2001.(See figure 9) It is therefore the composition of the informal sector that changes during the 1990s, rather than its overall size. (CEDLAS 2010: 2) The relative stability of the overall informality rate has to be seen in a context of rising unemployment. While during the 1980s “informalisation” was one of the main indicators for the deterioration of the labour market, the 1990s brought a deterioration of incomes and productivity within the informal sector and an expansion of unemployment. As has been argued in point b), this can be related to the exhaustion of the capacities of the informal sector to absorb further work force, and to the weakening of certain parts of the informal economy through the economic policies of the 1990s.(Beccaria/Groisman/Maurizio 2009: 14)

In the last period, from 2002 on, the proportion of unregistered salaried employment showed a slow downward tendency. Departing from 44 % in 2002, it began first to increase in the aftermath of the devaluation to 48 % in 2004, but then fell persistently to finally reach 36 % in 2009.(See figure 8) Despite the downward tendency, the proportion remains very high and can be compared to that of the late 1990s. However, according to the ministry of work(MTEySS 2007: 5) 85 % of the newly created salaried jobs between 2003 and 2007 were registered with the social insurance system. Therefore, it seems that the proportion decreased due to the creation of additional registered jobs, rather than the replacement of informal employment. For the share of informal employment, I only have data until the second semester of 2005. Until that date informality as a whole remained very elevated and concerned 54.6 % of the employed population.(See figure 9) Even if it would be assumed that informality as a whole decreased with the same pace as unregistered salaried employment during the following years, informality remained on very high levels. The improvement of labour market conditions had therefore stronger impacts on the reduction of unemployment levels than on the incidence of informality. (Compare figures 5, 8 and 9) Rubén Lo Vuolo(2007) argued in this respect, that the persistence of an ample informal sector forms part of the governments strategy to enhance international competitiveness. As Luis Beccaria and Fernando Groisman(2009a: 114) demonstrate, informality is strongly associated with the risk of being poor. Over 70 % of the informal workers live in poor households in the second semester of 2005. Furthermore, the informality risk is not equally distributed within the society. The fact that in 2005 about 65 % of the informal workers have not completed secondary education, indicates that it is especially the low skilled workers who remain trapped in informality.

d) Unstable work histories after 1975

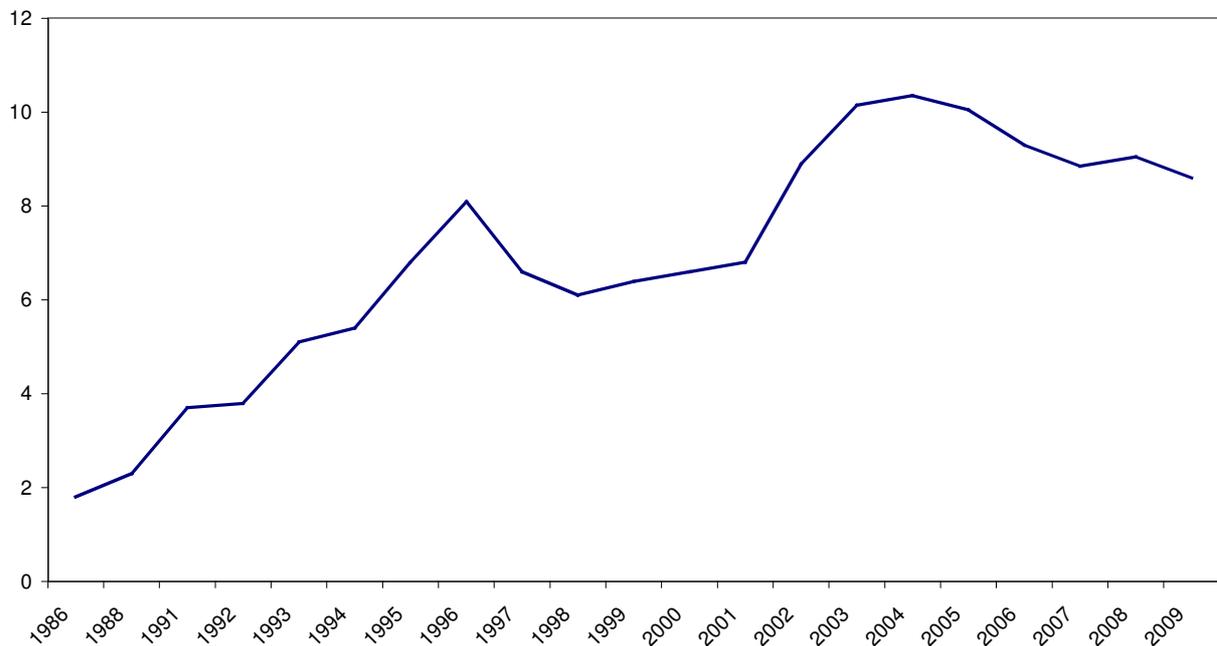
Unstable work histories as such constitute a social risk, as they are linked to recurrent periods of unemployment, which cause loss of income and health insurance in most cases. In addition to that, unstable work histories have negative long term impacts on social insurance systems, as they may prevent the attainment, or reduce the benefit-level, of entitlements to old-age pensions. This is especially true for the Argentinean case, where 30 years of contributions are required to be entitled to receive a pension at regular retirement age.

Unfortunately, the availability of data with regard to job instability is somewhat limited. Therefore the strict separation of four periods will not be applied here.

From a theoretical perspective, the growing importance of informal employment is likely to cause increased job instability, as informality usually includes the evasion of labour market regulations, which allows quicker and cheaper “hiring and firing”. The flexibilisation of labour market regulations, which has been implemented during the 1990s, also significantly reduced the costs of dismissal with regard to the formal labour market.(Lo Vuolo 1998b: 243)

The increase of the unemployment rate(see figure 5) and the rise of the average duration of unemployment(see figure 10) support the assumption that work histories have increasingly become unstable, as they indicate that it has become more likely to suffer unemployment, and once unemployed it takes in average longer to get a new job. Luis Beccaria and Fernando Groisman(2009b: 59, 81 – 83) come to a similar conclusion analysing longitudinal and pseudo-panel data.

Figure 10: Average duration of unemployment in months



Elaborated by the author. Source: SEDLAC Database (09/17/2010)²⁰

As can be seen in figure 10, the average duration of unemployment in 1986 was relatively short with 1.8 months. In the following decade the average duration steadily and steeply increased until it reached 8.1 months in 1996. Until 1998 it fell to 6.1 months, but began to rise again with the beginning of the crisis until it culminated with 10.35 months in 2004. From then on it decreased only very slowly, so that the average duration of unemployment was still 8.6 months in 2009, despite much stronger reductions in the incidence of unemployment.

The profound deindustrialisation process since the mid 1970s led to an unequal distribution of the risk, and the average length, of unemployment. Only between 1991 and 2001 employment in manufacturing industries decreased 41 %, and in the construction sector it fell 22 %. (Beccaria/Groisman/Maurizio 2009: 30) In this context, low skilled workers are facing the biggest risk of unemployment. Furthermore, Fernando Groisman(2008: 202/203) argues, that the consolidation of a social and sociogeographic segmentation over more than 30 years obstructs the labour market entry of many of the very poor, which is very likely one of the reasons why the average duration of unemployment remains high.

It has to be added that for the pension and health insurances it makes no difference if contributions are not paid because the respective individual is unemployed or because he or she

²⁰ Same as footnote 17. Unfortunately I do not have data for the years between 1974 and 1986.

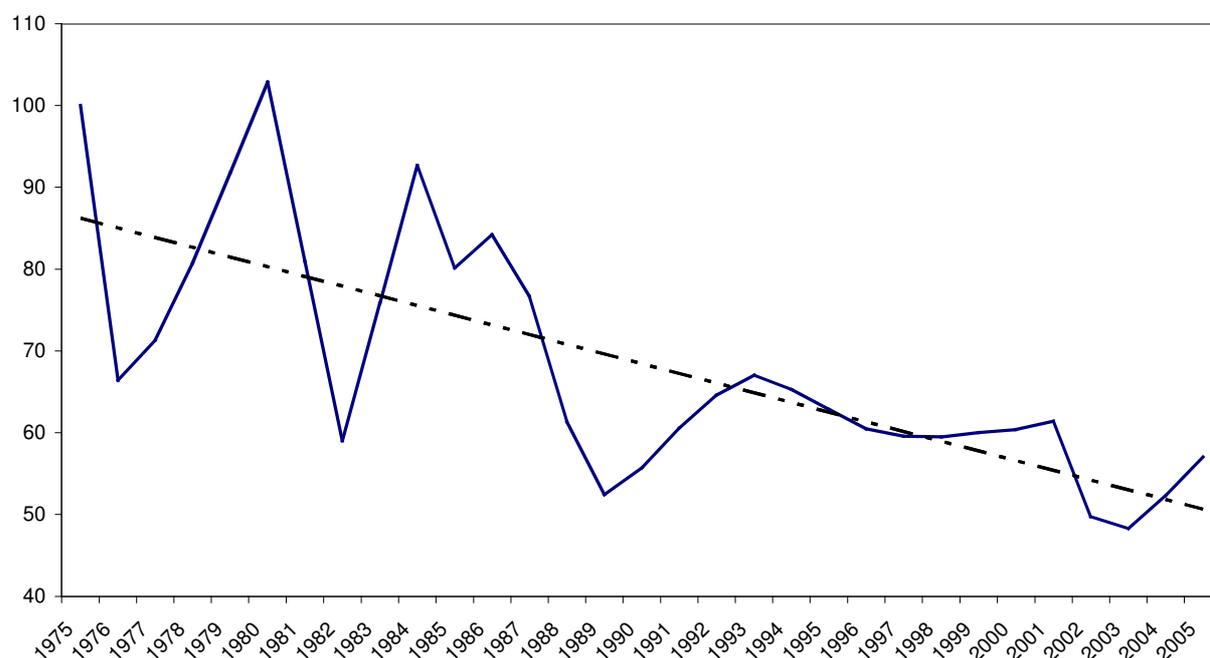
is employed informally. Therefore, information specifically regarding the stability of formal work histories would be more meaningful with regard to social insurances. As has been argued in the points b) and c), low skilled workers are the most affected group by both the risk of unemployment and the risk of informality. Corina Rodríguez Enríquez and María Fernanda Reyes(2006) find in their assessment study of social assistance programmes in the 2000s, that only very few beneficiaries, of which the big majority can be considered low skilled workers, found formal employment. Most of those who found formal employment fell back into unemployment or informality again after very short time. Formal work histories are therefore especially unstable among low skilled workers, which means that although they may be working most of their life, it is unlikely that they will be able to attain pension entitlements.

As will be shown later, another factor increasing the incidence of unstable work histories is that the rise of female labour market participation has not been accompanied by an expansion of accessible child care facilities, so that women are often forced to remain outside the labour market during prolonged periods.(Rodríguez Enríquez/Reyes 2006) The lower retirement age for women further exacerbates the difficulties of female workers to attain pension entitlements.(Kay 2000: 11)

e) The evolution of real wages and income distribution after 1975

The social outcomes of social insurance centred welfare states are usually very sensible to changes in the wage and income structure of the population. As benefits of pension insurance systems are usually determined by the former income, as is the case in Argentina, decreasing wage levels may lead to falling benefits for salaried workers and increasing income differences may cause a drifting apart of benefit-levels, which easily results in benefits below the poverty line for low income workers. In most corporatist welfare states, health insurance benefits do not depend on the wage level of the insured worker. This is not entirely true for the Argentinean case, where health insurances are organized in line with occupational groups and differ considerably with regard to what kind of treatment or medicine is covered, and how much the beneficiary has to pay out of his own pocket. These differences reflect the average income differences between the respective occupational groups, so that wage decreases for some of them and increases for others may lead to a further differentiation of health insurances with regard to their quality.

Figure 11 : Evolution of the average real wage (1975 =100)



Elaborated by the author. Source: The data has been kindly provided by Fernando Groisman and is identical to that used in Beccaria/Groisman/Maurizio (2009: 28)

Labour market deterioration in Argentina since 1975 resulted in a significant decrease of average real wages.

During the first period, from 1976 until 1983, average real wages experienced strong fluctuations. In 1976 they fell steeply as a consequence of the before mentioned anti-inflation programme of the military government, which included the suspension of collective wage bargaining. While they recuperated with the stabilisation of the economy in the following three years, average real wages declined strongly again as a result of the economic crisis and the devaluation of the currency in 1981/1982.

During the second period(1983 – 1989), wages first recuperated in 1983 and 1984 with the return to democracy. Thereafter, they experienced a steady decline. In 1985 they fell due to the so called “Plan Austral”, an attempt of the government to regain control over inflation, which included wage increases below inflation.(Lo Vuolo 1998a: 80) In 1986, average real wages recuperated slightly but began to fall dramatically with the renewed acceleration of inflation from 1987 on. As can be seen in figure 11, real average wages fell to less than half of the 1974 level during hyperinflation crisis in 1989 and 1990. This explains why the poverty rate shoots up during these years, although unemployment only increases by 2.5 % points.

During the third period, 1990 to 2001, average wages first increased until 1995, but then slightly declined in the aftermath of the “Tequila Crisis”, and thereafter basically stagnated on a low level until the devaluation in 2002 led to steep fall again, this time even below the level reached during the hyperinflation crisis one decade before.

During the last period, from 2002 on, average real wages began to recover again, but considering the low starting point, they remained comparatively low. In 2007, average real wages were about 30 % lower than those of 1975.(Beccaria/Groisman/Maurizio 2009: 28)

The decline of average real wages partly reflects the weak macroeconomic performance of Argentina since the mid 1970s. However, while average real wages fell about 30 % between 1975 and 2007, the real per capita GDP increased about 28.5 % during that period. This indicates that the distribution of incomes has significantly changed since the mid 1970s. Wage earners were one of the losing groups in this respect. Considering that around 75 % (INDEC 2009, www.indec.gov.ar) of all working Argentineans are wage earners, this has significant negative effects with respect to the financing, and ultimately the quality, of protection against social risks, especially regarding health and old-age. Yet, average real wage decline is only a part of the whole story. Within the group of wage earners low skilled workers experienced much stronger losses than their better qualified counterparts.(Beccaria/Groisman/Maurizio 2009: 35) The Global Wage Report 2008/2009 of the International Labour Organisation finds in a comparison of 31 countries that wage inequality²¹ increased faster in Argentina than in any other country between the mid 1990s and the mid 2000s.(ILO 2008: 24)

It can also be observed that wage differences between unregistered and registered salaried workers have been increasingly diverging. The dotted graph in figure 12 shows that in 1992 the average income of registered salaried workers was about 60 % higher than that of unregistered salaried workers. In 2001 it was about 115 %, and in 2005 over a 120 % higher. The differences reflect, on the one hand, that informality concerns low skilled/low income workers much more than better qualified groups. On the other hand, it shows that there is an increasing segmentation between informal and formal salaried employment. This indicates that informality is less likely to be a voluntary choice of the respective workers, but rather the only alternative to unemployment.

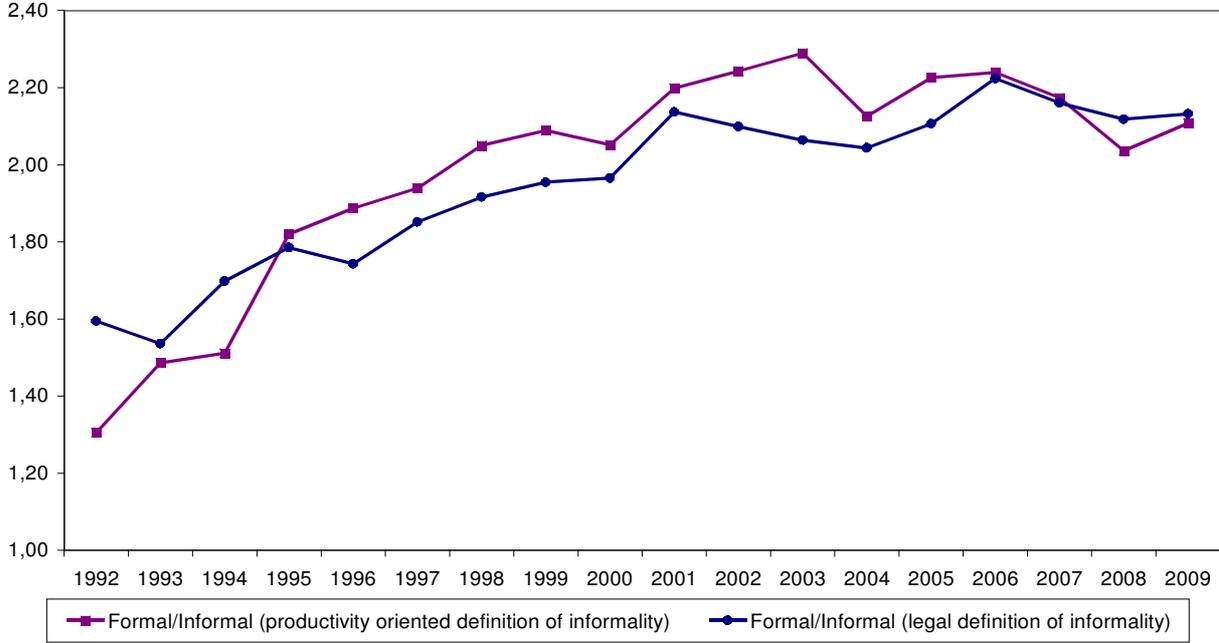
The graph with the squares in figure 12 shows the average income differences between the formal and informal sector applying a productivity oriented definition of informality²². It can be

²¹ Measured with the so called 90/10 ratio.

²² For an explanation of the difference between the productivity oriented and the legal definition of informality please see point c).

seen, that during the 1990s the incomes in the informal sector have decisively deteriorated, irrespectively which definition of informality is applied.

Figure 12: Income differences between formal and informal employment



Source: CEDLAS (2010): *Informalidad laboral en Argentina: 1992 – 2009*; Informe CEDLAS, Julio 2010, p. 3 (www.cedlas.org)

The virtual free fall of informal sector incomes can be related to the increase of unemployment, which reflects that the offer of labour force has been significantly higher than the demand, especially regarding low skilled workers, who constitute the majority of informal workers.(Beccaria/Groisman 2009a: 114) This imbalance quickly translated into falling incomes, as minimum wages, collective wage bargaining and other potentially mitigating factors were of little effectiveness for the informal sector.

Unfortunately, at the time of writing this text I do not have data for the years between 1975 and 1992. However, unemployment rates have been low during most of the 1980s and the late 1970s.(See figure 5) In a situation of lower unemployment, income differences between the informal and the formal sector have probably been lower than in 1992. If we furthermore consider that unregistered salaried employment was far less frequent during the late 1970s (see figure 8), it is likely that a considerable proportion of informal workers (most of them self-employed) voluntarily chose informality to avoid bureaucratic work and to evade taxes and

contributions.²³ In this context, the relation between welfare state and informality is somewhat different. Voluntarily informal workers may have the option to return to formal employment and thereby may be able to plan the attainment of pension entitlements. This is not the case for involuntarily informal workers, for whom informality constitutes the last resort before becoming unemployed. Also, if voluntarily informal workers count with similar incomes as formal workers, they may be able to save for retirement and to self insure in health. Therefore, it is not only the expansion of informality that has diminished the capacities of the Argentinean welfare state to protect against social risks, but also the deterioration of incomes among informal workers.

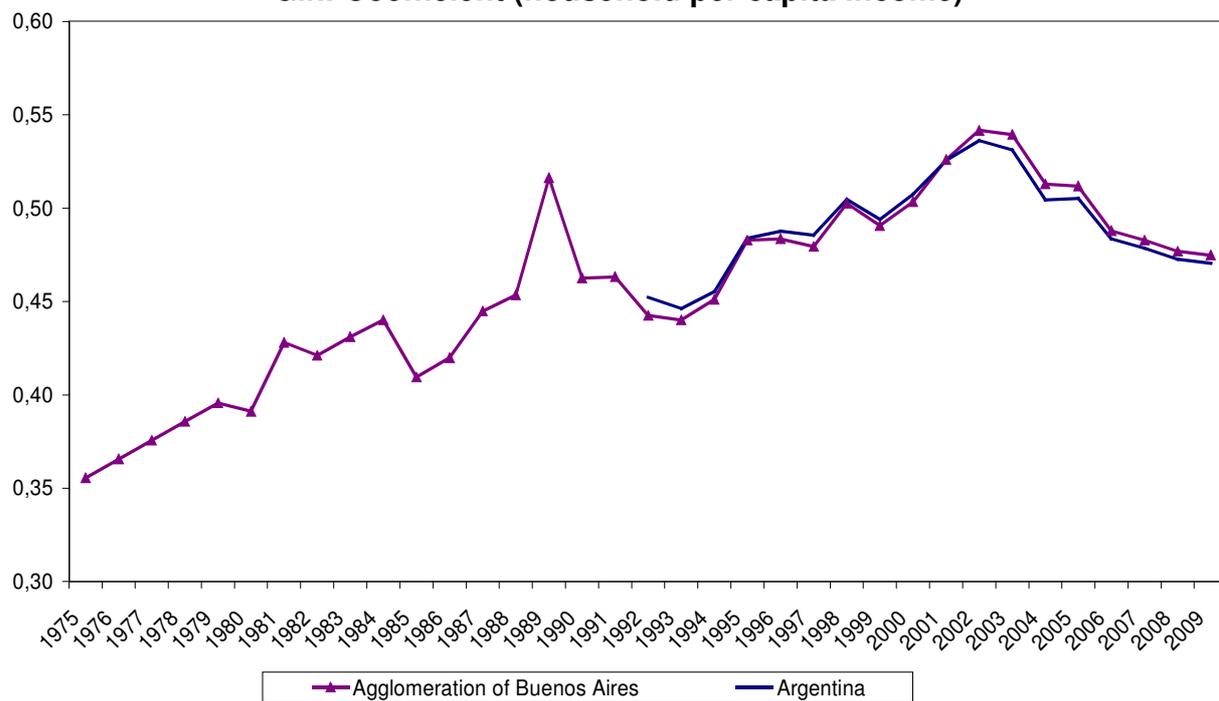
The generally steep rise of income inequality can be shown with the Gini coefficient. As can be seen in figure 13, the Gini coefficient was a little over 0.35 in 1975 and increased steeply during the first period(1976 – 1983) following the abandonment of the ISI strategy, reaching about 0.43 in 1983. During the following period(1984 – 1989) the coefficient slowed down its upward trend and even fell between 1984 and 1985. From then on, income inequality began to rise again, reaching a value of over 0.5 during the peak of hyperinflation in 1989. During the third period, the economic stabilisation caused initially a slight decrease of the Gini coefficient to 0.44 in 1993. From 1994 on, inequality rose steeply again until the Gini coefficient reached a value of approximately 0.54 in 2002. During the last period after 2002, inequality first fell significantly until 2006, but then slowed down its downward trend and remained at the still very high value of about 0.47 in 2009.²⁴

Figure 14 gives an overview of how the income distribution between deciles has changed between 1974 and 2009. While the poorest 10 % of the population lost over 50 % of their share of the GDP, the richest 10 % increased their share by over 27 %. The figure also shows the pattern with which the income distribution has been changed: those who earned less, lost most, and those who already earned most, won most. A look on the deciles in between shows that it was basically the richest 20 % of the society who benefited from the rising inequality, while the GDP share of the 8th decile remained stable and the resting 70 % percent of the society lost.

²³ Self-employed workers obligatorily have to pay quite high pension insurance contributions as they have no employer to share them with.

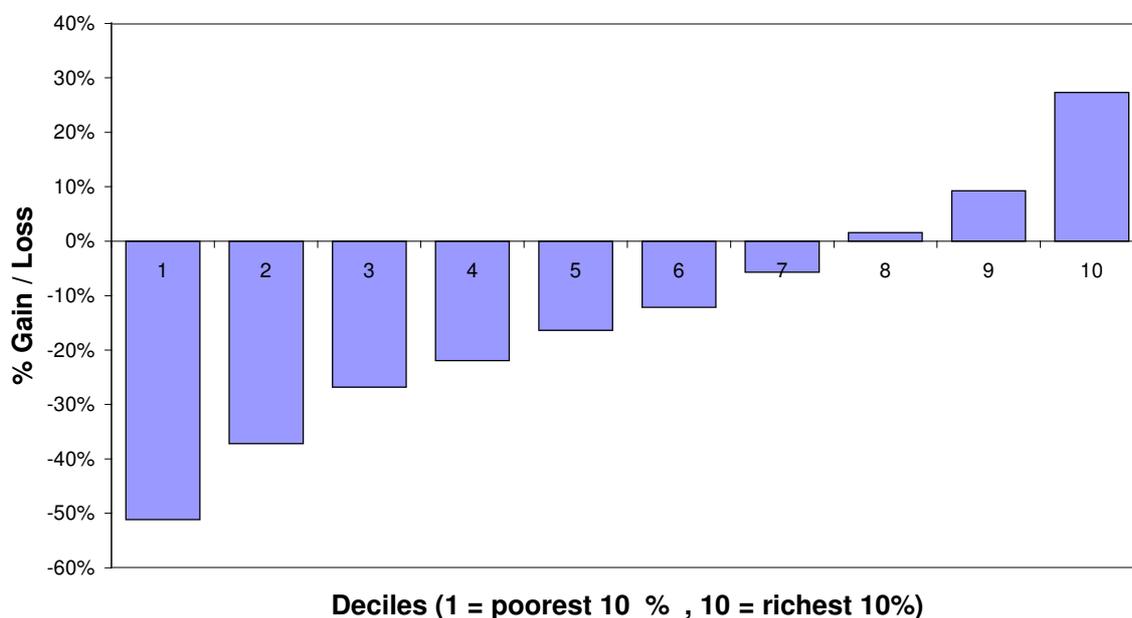
²⁴ In comparison the EU-27 average regarding the Gini coefficient was 0.3 in 2005(Eurostat database, 2010), which gives an impression about how unequal household per capita incomes are distributed in Argentina.

**Figure 13: Income inequality in Argentina between 1974 and 2009,
Gini-Coefficient (household per capita income)**



Source: Gasparini/Cruces (2010: 5)

Figure 14: Evolution of incomes as a share of the GDP between 1974 and 2009, in deciles



Elaborated by the author. Source: SEDLAC Database (09/17/2010)²⁵

The steep increase of inequality had significant impacts on the functionality of the Argentinean corporatist welfare state. There is a tax financed public health system that mainly serves the poorer parts of the society and which runs parallel to the social insurance based health system. Furthermore, public education is tax financed. But the two biggest pillars of the Argentinean welfare state are pension and health insurance. As long as social risks mainly stem from illness or old-age these insurance schemes seem effective in redistributing resources from the young to the old and from the healthy to the ill. But if, as is the case in Argentina, social risks stem increasingly from the unequal distribution of incomes in the society, these schemes are unable to adequately cover social risks, as their design usually hardly provides a redistribution of incomes from rich to poor. And this is especially true for the Argentinean system. First of all, because most of the very poor are excluded from social insurances. And secondly, because benefits of social insurances are tied to contributions, and if the latter are low, due to low incomes, the former are low as well. While in most corporatist welfare states health insurance benefits are not tied to the height of contributions, in Argentina they somehow are due to the particular type of occupational group centred organisation of the system, where basically healthy

²⁵Calculated on the corresponding numbers from 1974 and 2009. In 1974 the underlying surveys have been conducted in the agglomeration of Buenos Aires and in 2009 in 31 agglomerations.

low income earners finance the treatment of ill low income earners and healthy high income earners finance the treatment of ill high income earners.

f) Female labour market participation after 1975

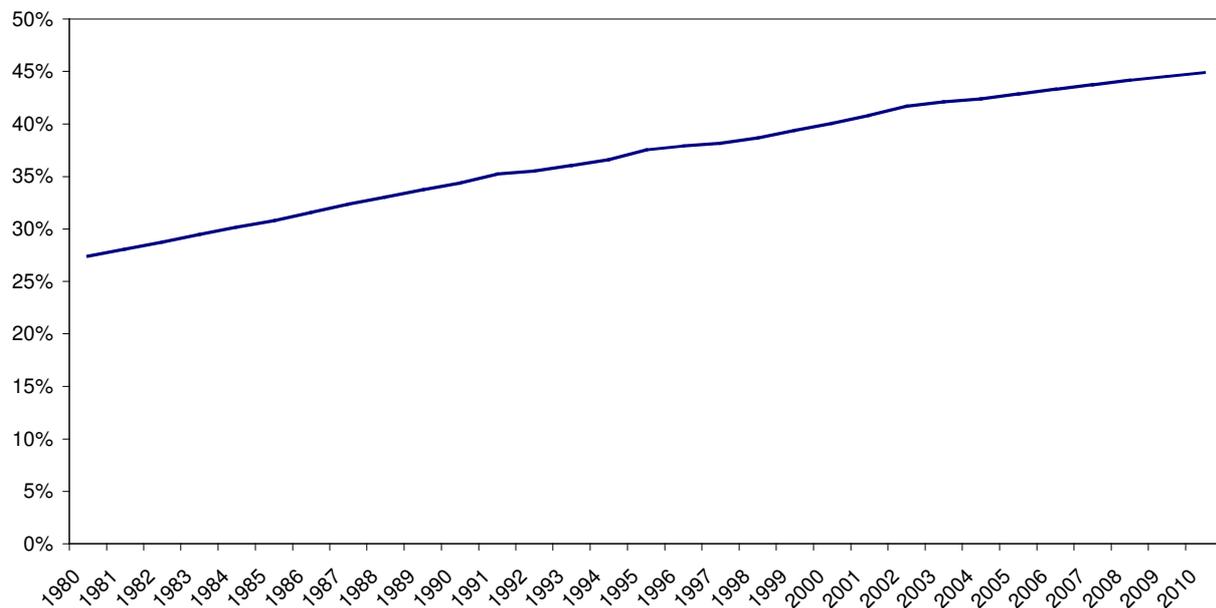
The expansion of female labour market participation creates new social demands towards the welfare state, such as income maintenance programmes during maternity leave and accessible child care facilities. Also the attainment of pension entitlements is more difficult when work histories are interrupted for child care reasons.

As can be seen in figure 15, female labour market participation has significantly increased since 1980. According to data from CEPAL, the gradual rise of female labour market participation has been a constant process. In 1980, 27.5 % of the economically active population were women. This number increased to over 35 % in 1990, to about 40 % in 2000 and nearly 45 % in 2010.

However, women are clearly disadvantaged in the Argentinean labour market, which exacerbates earlier discussed problems like unemployment, precarious employment, unstable work histories and low incomes for low skilled workers. Between 1986 and 2009, working women earned in average over 28 % per month less than their male counterparts. The incidence of unemployment was about 30 % higher and the average duration of unemployment was even over 40 % higher than the male average. Also were female salaried workers 35 % more often affected by legal informality.(calculations by the author on the basis of data from the SEDLAC database, <http://sedlac.econo.unlp.edu.ar>, 17th of September 2010)²⁶

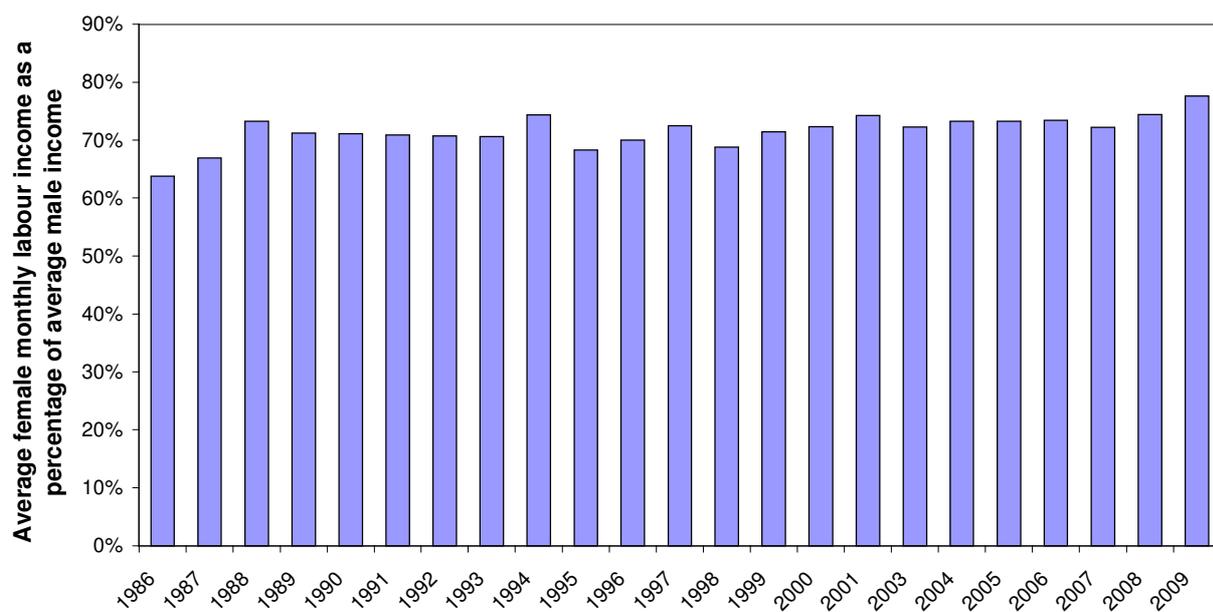
²⁶ Calculations made by the author on the base of SEDLAC data. All numbers are based on the results of the Permanent Household survey which has been conducted in the agglomeration of Buenos Aires until 1991, then in 15 agglomerations until 1997, then in 28 agglomerations until 2006, and from 2007 on in 31 agglomerations.

Figure 15: Female economically active population as a share of total economically active population between 1980 and 2010



Elaborated by the author. Source: CEPAL Database

Figure 16: Gender and income. Average monthly labour income relation female/male



Elaborated by the author. Source: SEDLAC Database (09/17/2010) for the years 1986 - 2009²⁷

²⁷ Same as footnote 17.

g) Demographic change and age-structure after 1975

Demographic change affects the welfare state for a wide range of reasons. Ultimately, a lot of academic work has focussed on population ageing as it poses challenges for financing the pension and healthcare systems. As has been specified in the introduction, this text focuses on the welfare state adaptation failure with regard to the profound changes that hit the Argentinean labour market after 1975. Therefore, demographic change and population ageing are not precisely part of the focus of this work. However, recent literature about welfare state adaptation (e.g. Tepe/Vanhuyse 2010: 218,219/230) has found that the “timing” of population ageing may partly explain a welfare state’s capacity to adapt to new social risks resulting from deindustrialisation. Markus Tepe and Pieter Vanhuyse argue on the basis of a comparison of 21 OECD countries, that countries which experienced post-industrialisation processes relatively early, and which were therefore still less affected by population ageing, were better able to adapt their welfare states to social risks stemming post-industrialisation. In contrast, welfare states that had to deal with both challenges (population ageing and post-industrialisation) at the same time, show a stronger elderly bias and a less satisfactory adaptation to new social risks. For this reason, I considered it useful to give a brief overview of the demographic evolution of the Argentinean society since the abandonment of the ISI strategy.

As has already been argued, the abandonment of the ISI strategy initiated a profound and rapid process of deindustrialisation. Now, the question is: Has Argentina challenged simultaneously a process of population ageing that could be made, at least partly, responsible for welfare state adaptation failure?

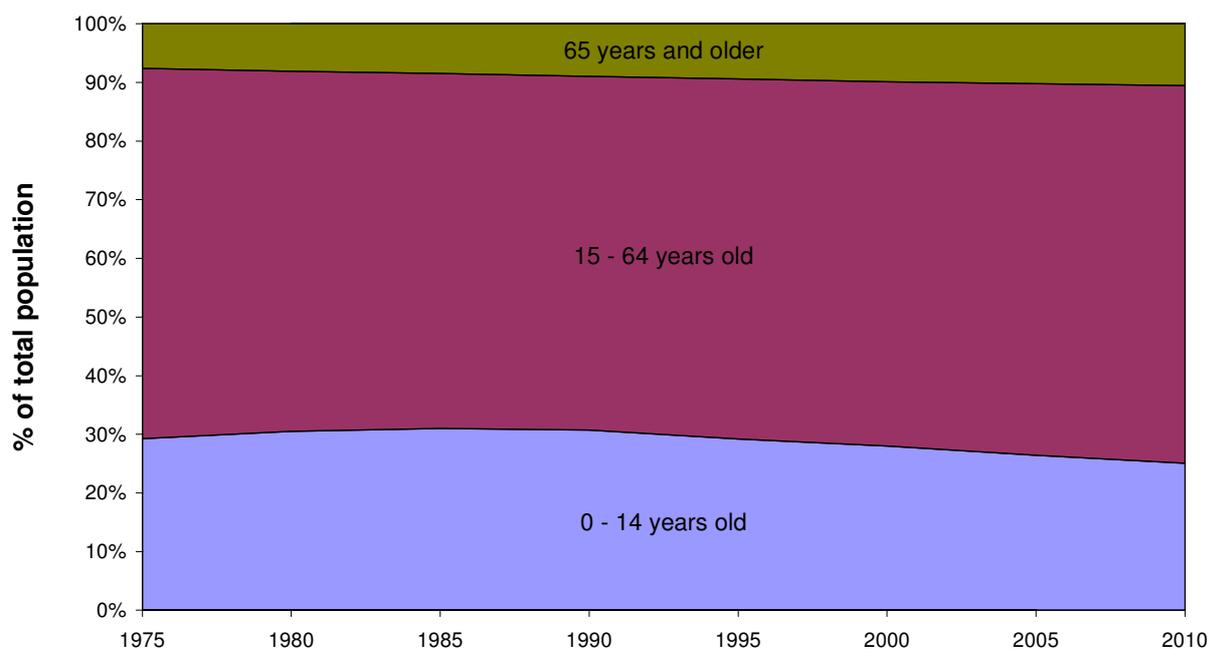
As can be seen in figure 17, the Argentinean population slightly aged since 1975. The share of the 65 years old and older population increased from 7.6 % in 1975 to 10.5 % in 2010. At the same time the share of the potentially economically active population, aged 25 to 64, expanded slightly from 63.2 % to 64.4 %. Consequently the share of the population 14 years old and younger decreased from 29.2 % to 25 %. In comparison, in the EU-27, where population ageing is a much discussed issue, 17.1 % of the population was 65 years old or older in 2008. (Eurostat database)

A commonly used indicator for population ageing, and the challenges that it poses for pension and health systems, is the so called old age dependency ratio, which indicates the relation between working age and pension age population. As can be seen in figure 18, between 1975 and 2010 this indicator increased from 12 to 16 persons in pension age per 100 persons in working age. However, this value is still very low, and has increased only moderately considering the length of the period. In comparison, in 2008 this ratio was 25.4 pension age persons per 100

working age persons in the EU 27 and 30.4 in Germany. In fact, Argentina's old age dependency ratio is comparable to that of the early 1960s in Germany.(Eurostat) Back then, population ageing can hardly be said to have been a big issue in that country.

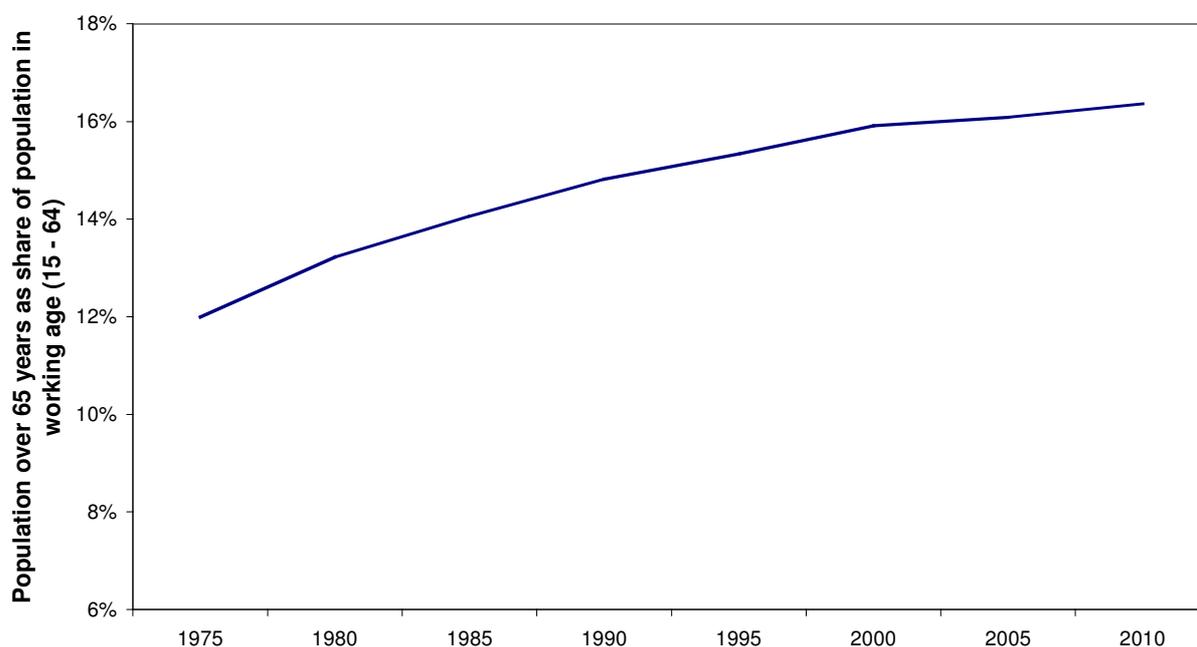
Therefore, the Argentinean welfare state can be considered one of those who did not face the challenges of rapid population ageing and post-industrialisation simultaneously. According to the study of Markus Tepe and Pieter Vanhuysse, this is a condition that makes welfare state adaptation more likely. However, welfare state adaptation towards social risks resulting from post-industrialisation, as will be seen in the point 2.2., has not been successful in Argentina. As will be discussed in point 3, counter-pressures against welfare state adaptation have been predominating, and created an overall political context unfavourable for welfare state adaptation.

Figure 17: Evolution of the Argentinean age-structure, 1975 - 2010



Elaborated by the author. Source: CELADE/CEPAL database

Figure 18: Evolution of the old-age dependency ratio since 1975



Elaborated by the author. Source: CELADE/CEPAL database

2.2 Welfare state reform after 1975: Ignoring social change?

As has been argued in 2.1., labour market transformations have been extraordinarily rapid and profound in Argentina since the mid 1970s. These transformations implied important changes in the constellation of social risks prevalent in the society, and thereby challenged the effectiveness of social policy arrangements that had been designed for a predominantly formal male breadwinner labour market close to full employment. In the introduction it has been argued that the adaptation of the welfare state to the new labour market conditions largely failed in Argentina. In this chapter, empirical evidence will be used to underpin this argument. Furthermore, the following description of the contents of welfare state reform after 1975 will constitute the basis for the political analyses, which is going to be approached in chapter three.

Welfare state reform is often associated with changes in the legal fundamentals of the different welfare state institutions. However, a look at the evolution of social expenditure shows, that many changes are not necessarily dependent on active social policy legislation. So, for example, *de facto* changes often occur many years before they are legally legitimized. As will be seen later, this happened with the replacement rate of pension entitlements between the mid 1980s and

mid 1990s.(Kay 2000: 12) Also, high inflation during big parts of the analysed period allowed governments to cut back certain benefits without having to incur to legal reform steps. This is especially true for social assistance programmes, whose legislation usually does not include any mechanism of automatic indexation.(e.g. Gasparini/Cruces 2010) For these reasons, two dimensions will be analysed: the evolution of social expenditure and the changes in the social rights guaranteed by the state.

Before the following subchapters will approach in more detail reform and continuity of pension, health, family, unemployment and assistance policies, some characteristics and trends of the welfare state as a whole will be addressed.

Generally, we can assume that welfare state adaptation to the new socioeconomic context, shaped by an enormous rise of income inequalities, un- and sub-employment, requires an increase of total social expenditure. The welfare state has increasingly to cope with additional social risks, such as unemployment and precarious employment, while spending requirements for old age and health not only remain, but can be assumed to rise as well due to technological progress and population ageing.

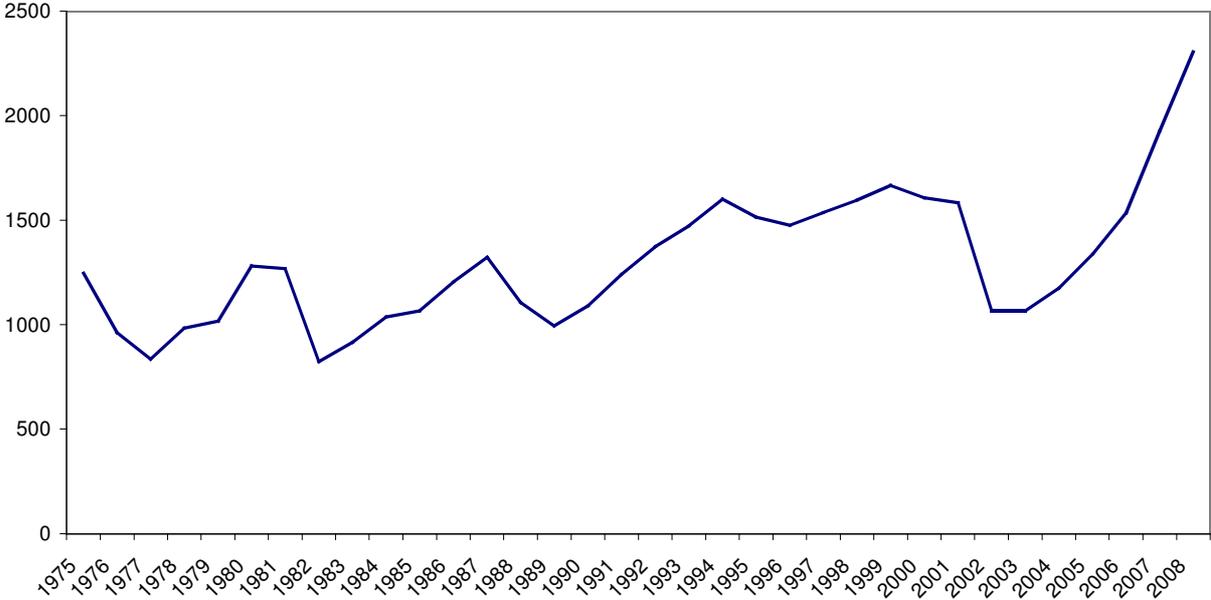
As can be seen in figures 18 and 20, the short term evolution of social expenditure in Argentina has been highly pro-cyclical after 1975.²⁸ This means that social expenditure was lowest in moments when social need was biggest. However, despite widespread claims that the Argentinean welfare state experienced strong retrenchment or even dismantlement during the 1990s(e.g. Lo Vuolo 1998b: 191), social expenditure had, in the long run, an upward tendency, both measured as per capita expenditure at constant prices and as a percentage of the GDP. As can be seen in figure 19, the real per capita social expenditure has been oscillating between 1975 and 1990, but did neither experience a clear up nor downward trend over the period. From the 1990s on, a slight upward trend can be observed, although this trend has been interrupted during the first years after the currency devaluation. Figure 20 shows that social expenditure as a share of the GDP increased strongest during the 1980s, mostly during the government of Raúl Alfonsín. However, this increase can be ascribed to an important part to the significant decrease of the per capita GDP during this period.

Thus, it can be said that the deterioration of the Argentinean labour market did coincide with a significant rise of social expenditure from about 14.6 % of the GDP in 1975 to about 23.5 % in 2008. Nevertheless, this coincidence does not necessarily mean that the increase of social expenditure reflects a social policy response to the deterioration of the socioeconomic indicators. As I will argue, the additional resources have scarcely been used for measures to protect against

²⁸ The economic cycles can be observed in figures 2 and 3.

the two social risks that have become the main sources of poverty after the mid 1970s: unemployment and precarious employment.

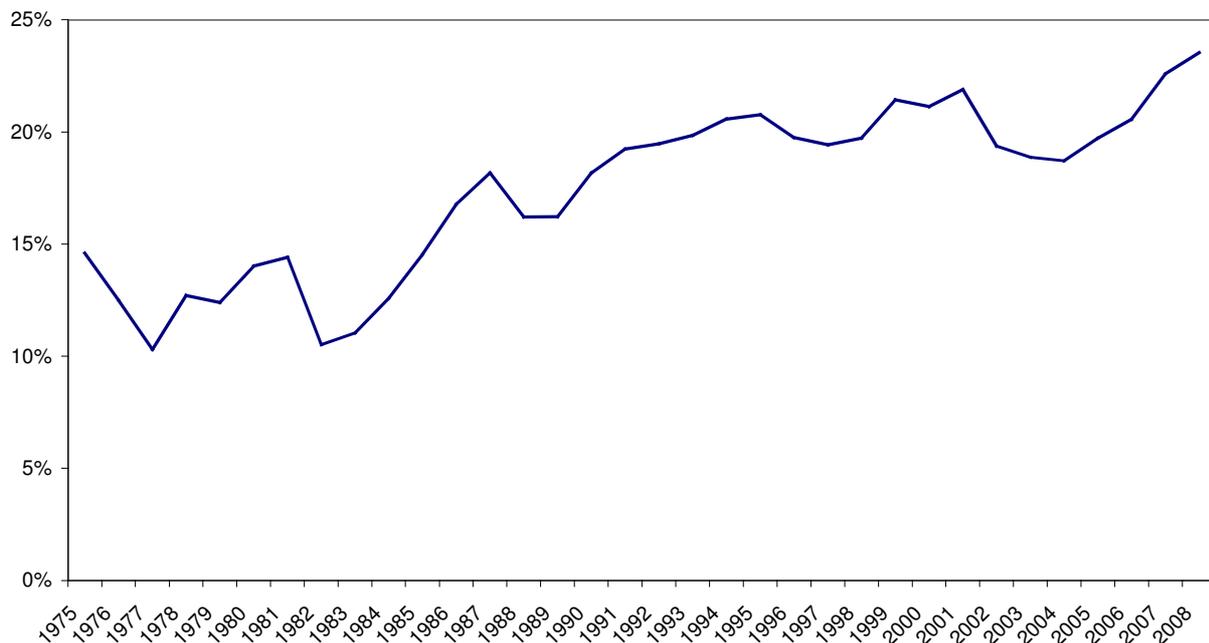
Figure 19: Per capita social expenditure in Pesos at constant prices of 2001



Elaborated by the author²⁹. Sources: For social expenditure: Vargas de Flood(2006: 190) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008. For population numbers: INDEC database

²⁹ Does not include expenditure which has been categorised as “science and technology”(Ciencia y Tecnología) and “potable water and canalisation”(agua potable y alcantarillado) by the “Centre for Analyses of Public Expenditure and Social Programmes”(Dirección de Análisis de Gasto Público y Programas Sociales).

Figure 20: Social expenditure as % of the GDP



Elaborated by the author³⁰. Sources: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008

Like virtually all welfare states, the Argentinean welfare state regime during the mid 1970s constituted a mixture of three different types of public social security provision: Social insurance, mainly in health and pension systems, public provision with universal access, mainly in education and the public health sector, and means-tested benefits in social assistance policies(with largely discretionary practices).(Isuani 2010: 111)

Yet, the social insurance principle plays a dominant role in the Argentinean welfare state regime. There are several social insurance types that aim at providing pensions, health care for active as well as retired persons, and family allowances. Except the family allowance fund, social insurances are obligatory for both dependent and self-employed workers. Yet, coverage only extends to formal workers and their core family members, which means that the unemployed or informal workers do not build up pension entitlements, have no health insurance coverage and also did not receive family allowances until the end of 2009. Healthcare for those outside the formal labour market is provided by the public health sector, which runs parallel to the health insurance funds. There is little cooperation between the public health sector and social health insurances. The latter usually contract private health service providers rather than public

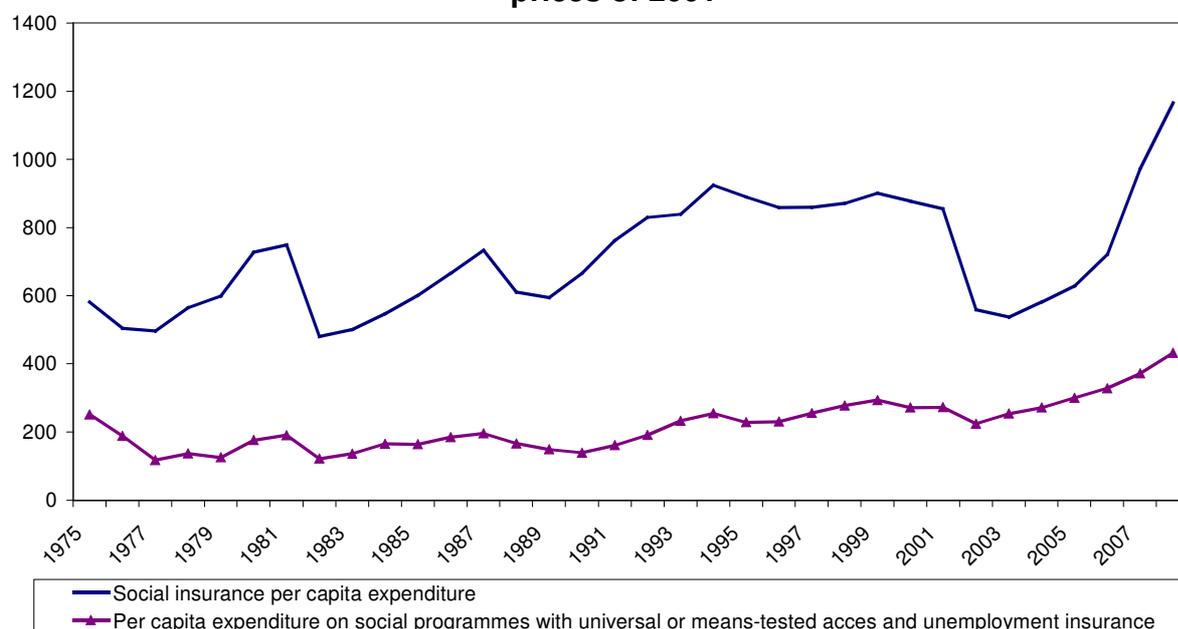
³⁰ Same as footnote 29.

hospitals.(Barbeito/Lo Vuolo 1998: 169) Although an unemployment insurance has been introduced in the early 1990s, it has remained of little importance, as coverage is very low due to strict eligibility criteria, as well as benefits are very low and limited to only a very short period. (Lo Vuolo 1998b: 206) Due to the fact that three of the main components of the Argentinean labour market transformation were the increase of unemployment, informal employment and income inequalities, social insurance coverage was falling and benefits became increasingly unequal.

Theoretically, (deeper) modifications of the social insurance legislation, facilitating access to benefits and strengthening redistributive mechanisms, could have countervailed these trends, but as will be seen later, rather the opposite has been done, at least until the early 2000s. Social insurance reform, especially during the 1990s when several big reform steps were implemented, was mainly concerned with lowering non-wage labour costs, strengthening the domestic financial market, and introducing market mechanisms into social security systems.(e.g. Kay 2000, Lloyd-Sherlock 2005, Lo Vuolo 1998b)

Another possible way of adapting the welfare state would have been to shift social expenditure priorities towards programmes of universal or means-tested access, as those programmes are also accessible for the growing group of unemployed and informal workers, who are excluded from social insurances and over-proportionally affected by poverty. Despite growing emphasis on targeted means-tested programmes in the governments' rhetoric from the 1990s on(Cortés/Marshall 1999: 211, Lo Vuolo 1998b: 237), there has not been a significant priority shift regarding social expenditure. Figure 21 even shows that the bias towards the insurance principle has rather been strengthened since the mid 1970s.

Figure 21: Social insurance expenditure per capita vs. universal and means tested expenditure per capita, in Pesos at constant prices of 2001



Elaborated by the author.³¹ Sources: For social expenditure: Vargas de Flood(2006: 190) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008. For population numbers: INDEC database

While in 1975 social insurance expenditure³² was 131 % higher than social expenditure on programmes with universal and means-tested access³³, the breach increased to 266 % in 1985, 290 % in 1995, fell in the aftermath of the big economic crisis at the beginning of the new millennium to reach 110 % in 2005, but grew again until reaching 170 % in 2008. Figure 21 also indicates that both types of social expenditure were of a pro-cyclical nature. A comparison with the figures 3 and 4(see 2.1.) reveals that per capita social expenditure of both kinds fell during periods of economic downturn and increased during periods of economic expansion. However, social insurance per capita expenditure was far more sensible to the economic cycles than expenditure on means-tested or universal social programmes. This has mainly to do with the

³¹Social insurance per capita expenditure includes spending on: - the semi-public health insurances (called *Obras Sociales*) – the pension insurance funds – the pensioners health insurance (called *INSSJyP*) – the family allowance fund

Per capita expenditure on social programmes with universal or means tested access includes spending on: – the public health sector – social assistance and employment programmes – the unemployment insurance(due to the fact the the available data does not disaggregate employment programmes and unemployment insurance)

³² Does not include unemployment insurance.

³³ Includes expenditure on unemployment insurance. Does not consider expenditure on education.

extraordinarily pro-cyclical character of pension and health insurance expenditure in Argentina. (See figures 23 and 28) Although pension legislation establishes that pension levels of already retired workers cannot be adjusted downwards in the case of decreasing wage levels (Law 24.241, Article 32), this rule only refers to nominal pension levels. This means, that in periods of high inflation, when real wage decreases basically reflect nominal wage increases below inflation level, also real pension levels become extremely volatile. Considering that the Argentinean economic crises after 1975 were mostly coinciding with elevated inflation, the size of the breach between social insurance and universal/means-tested social expenditure depends heavily on whether it is measured during a period of economic recession or a period of economic boom. This explains to an important extent why the breach decreased so heavily in the early 2000s. Another factor is certainly that social expenditure on means-tested and universal programmes, measured as per capita expenditure at constant prices, has increased importantly in 2002. Also, social insurance expenditure took longer to recover than it was the case after earlier crises. Since 2005, the breach is growing rapidly again. Looking at the period as a whole, it becomes evident that the insurance principle bias of the Argentinean social expenditure has been strengthened. In other words: although the highly vulnerable groups of unemployed and informal workers were growing rapidly until the early 2000s, the share of social expenditure³⁴ spent on programmes accessible for those groups had a decreasing tendency. The picture would look even worse if spending on private health insurances, which spread mainly during the 1990s and reached a coverage of about 10 % of the population, was included in the calculations. (Lloyd-Sherlock 2005: 1896) Since the early 2000s crisis, the distribution of social expenditure seems to have improved. As has been argued, this “improvement” owes a bigger part to the steep fall of social insurance expenditure than to increased spending for those excluded from social insurances. Since 2005 the breach is growing again. Yet, it has also to be considered that since 2002 unemployment and informality have been shrinking, which puts this development in a more favourable light. Nevertheless, compared to 1975, the insurance principle bias of social expenditure is stronger in 2008 and the group of those excluded from these insurances remains significantly bigger.

Also, the strong rise of income inequalities since 1975, if it is not to cause highly unequal benefits, exclusion from social protection and/or financial unsustainability, requires the introduction of stronger distributive mechanisms. Social insurances have commonly limited redistributive effects, as their benefits are mostly dependent on former contributions. This is the case with the Argentinean pension system, but also, as will be seen later, with the health

³⁴ Regarding: Pension, health, social assistance and family allowances

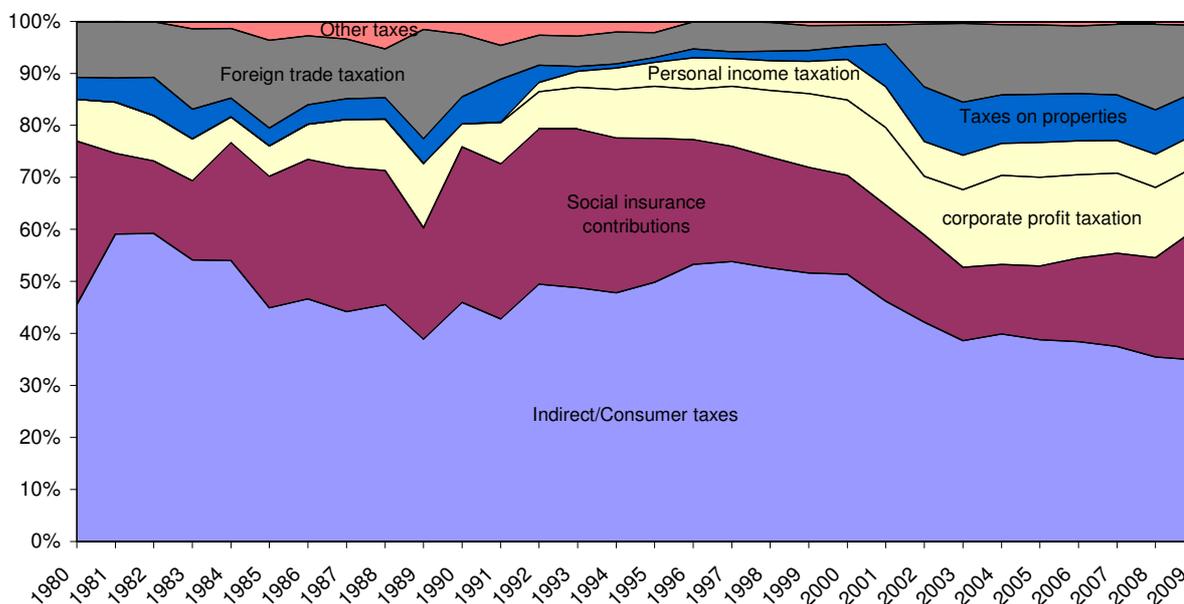
insurance system. The family allowance fund, which also works with some kind of social insurance principle, until recently mainly discriminated between those who are formal salaried workers and those who are not. Despite rising levels of income inequality, social insurance benefits have, in their majority, rather been linked tighter to former contributions than becoming more redistributive. With this regard, neither social insurance financing nor expenditure can be considered progressive. However, this issue will be addressed in more detail in the following subchapters, as the evolution has not been uniform across time and between the different social insurance sectors. Apart of that, only those who have access to social insurances could potentially benefit from redistributive mechanisms within them. In a context of high unemployment and informal employment, broader redistributive mechanisms are required to guarantee a comprehensive and financially sustainable social safety net.

With this regard, tax financed programmes have clear advantages. In the case of tax financed programmes with universal access, benefits are usually flat while financing is progressive. Although the Argentinean tax system has been characterised as being regressive³⁵(e.g. Sabaini/Santiere 1993), flat benefits have positive redistributive effects compared to the exclusionary and highly regressive character of most social insurance benefits. However, considering the steep increase of income inequalities in Argentina since 1975, significant steps towards more progressive taxation seem to be unavoidable if social security provision is to be put on a solid financial basis and inequality is to be countervailed. Historically, overall taxation has been very low in Argentina compared to other countries with similar average per capita income.(Melo 2007: 115) From the 1960s on personal income tax revenue declined steadily and reached insignificant values of around 0.05 % of the GDP between 1976 and 1991, while social insurance contributions increased their share, especially during the 1970s³⁶, which contributed to the regressive character of the Argentinean tax system.(Melo 2007: 143, Barbeito/Lo Vuolo 1998: 135) Sabaini and Santiere(1993: 171) find in their interesting tax system analysis, that in 1986 the poorest 10 % of the Argentinean households had an average tax burden of 21.8 % of their income, while the average tax burden for all households was 19.4 %, and 20,1 % for the richest 10 %. Figure 22 shows that the regressive character of the Argentinean tax system has not been altered significantly during the last decades.

³⁵ This regressive character obviously only exists in relative terms. In absolute terms higher income groups pay in average more taxes than lower income groups do. Therefore, tax financed social programmes with universal access and flat benefits have still positive redistributive effects.

³⁶ Total extra wage costs(combined employer and employee social insurance contributions and housing fund contribution) increased from 33.7 % in 1970 to 51.2 % in 1977.(Barbeito/Lo Vuolo 1998: 337/338)

Figure 22: Composition of gross national tax revenue between 1980 and 2009



Elaborated by the author. Source: Dirección Nacional de Investigaciones y Análisis Fiscal (2010)

The biggest part of national tax revenue comes from indirect taxes and social insurance contributions, which can both be considered regressive taxes.³⁷ Although, their combined share has declined from 77 % of the total tax revenue in 1980 to 60 % in 2009, they remain clearly the most important sources of national tax income. In contrast, progressive personal income taxation has virtually not played any significant role until the early 1990s, and in 2009 it still only represents 6.3 % of the gross national tax yield. (See figure 22 and Melo 2007: 143) Corporate profit taxation in Argentina, which has been characterised progressive by Juan C. Gómez Sabaini and Juan J. Santiere (1993: 171), increased from 8 % of national tax revenue to 12 %. Property taxation, which is usually also considered progressive, constituted 4.2 % of the gross national tax income in 1980, declined importantly during the 1990s, at the same time as personal income tax was reinforced, and increased again in the new millennium, mainly due to the reintroduction of taxes on credits and debits on current accounts, to represent 8.1 % of the national tax income in 2009. However, what the “Dirección Nacional de Investigaciones y Análisis Fiscal” calls

³⁷ Indirect/Consumer taxes can be considered regressive as poorer households spend in average bigger parts of their monthly income, which means that their tax burden, measured as percentage of their income, is higher than that of higher income groups who can save parts of their income and therefore avoid consumer taxes. Social insurance contributions are regressive in Argentina, as incomes are only considered up to certain level.

“taxation of properties”, is to an important part composed by taxes on credits and debits on current accounts, which are of regressive nature(Sabaini/Santiere 1993: 171). Therefore, only a part of the “property taxation” in figure 22 can be considered progressive. Certainly, this text is not the right place for a detailed discussion of the Argentinean tax system. However, the low importance of progressive elements in the tax system indicates that a social policy shift towards tax financed instruments would only have limited redistributive impact if it was not to be combined with efforts of tax reform. As will be seen later, the increased transfer of tax revenue to the pension system during the 1990s had regressive redistributive effects, as pension benefits are tied to former earnings and pension entitlements have increasingly become an exclusive right of the better off.

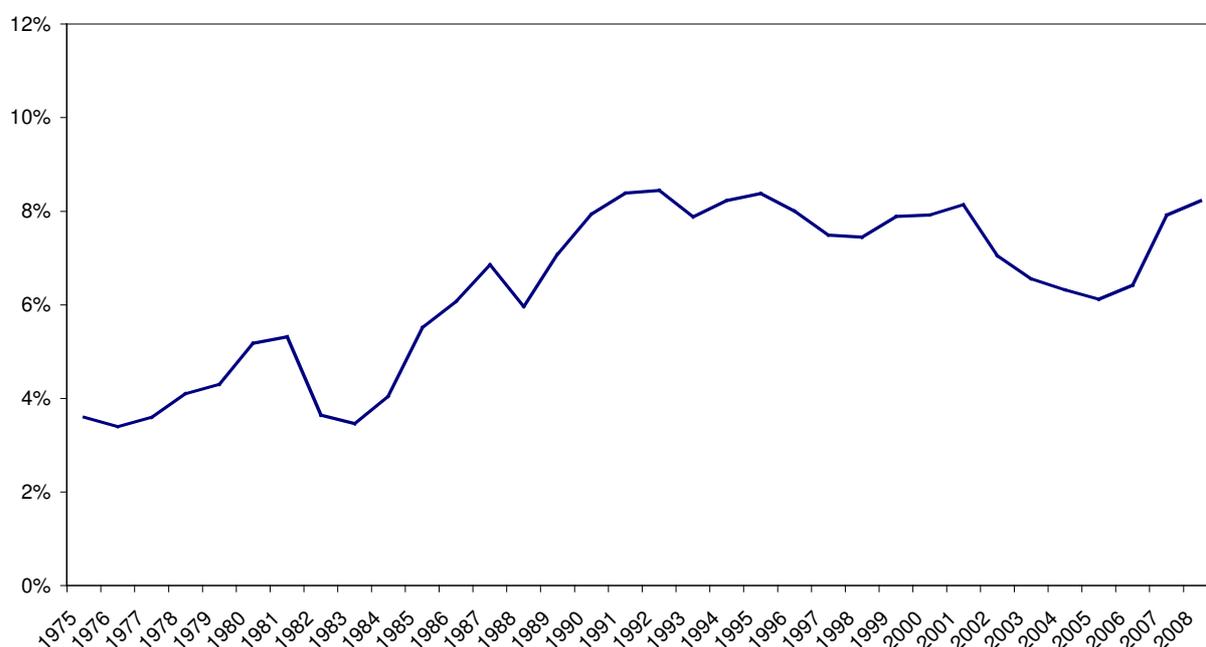
Another possible social policy response to increasing income inequality is to make social expenditure more progressive by introducing targeted means-tested programmes focussing on the poor population. This strategy has been very present in the governments’ rhetoric since the 1990s.(Cortes/Marshall 1999: 211, Lo Vuolo 1998b: 237) As studies of the CIPPEC Institute(Feldman 2009, Filc 2007) show, the means-tested social programmes are those with the strongest redistributive character in Argentina. However, as will be seen later, these programmes contain several severe weaknesses. For now it is enough to mention that these programmes do only capture a very small part of social expenditure and have therefore limited effect in practice.

The following subchapters will approach with more detail reform and continuity of pension, health, social assistance and family policies.

a) Pension policies

As can be seen in figure 23, Argentinean pension expenditure as a share of the GDP has increased significantly since 1975. The strongest increase has occurred between the early 1980s and the early 1990s. Since then, pension expenditure remained at around 8 % of the GDP(with the exception of the years immediately following the currency devaluation in 2002). In comparison, Chile(2000) spends around 7 %, Brasíl(1999) around 10 % and Uruguay(2002) over 15 %.(Rofman 2006: 92) Most corporatist welfare state regimes in Europe spent significantly more than Argentina: Germany(2007) spends 12.4 %, Austria(2007) 13.8 % and Italy(2007) 14.6 %.(Eurostat database) Yet, in 2010 only around 10.5 % percent of the Argentinean population were 65 years old or older(CELADE database), compared to 20.5 % of the German population(Database of the Bundesamt für Statistik). Considering this, Argentina spends a relatively big share of its GDP on pensions. Also, pension expenditure has increased quicker since 1975 than the share of the population aged 65 years or more.

Figure 23: Pension expenditure as % of the GDP



Elaborated by the author. Sources: For social expenditure: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008.

The level of pension expenditure alone does, however, tell relatively little about whether or not pension policies responded to the deterioration of labour market conditions. For this reason it is necessary to examine changes in the legal fundamentals of the pension system as well as data regarding coverage and inequality of pension benefits.

The Argentinean pension system has historically been based on the social insurance principle. As has been argued before, social insurance based pension schemes usually reproduce the inequalities prevalent in the labour market. Therefore, labour market deterioration can be assumed to lead, at least in the long run, to a decline of coverage and an increase of income inequality among pensioners.(Huber 1996: 143/144) However, this is just a very general assumption. The specific regulations of a social insurance system can determine to an important degree whether, how strong and how fast labour market deterioration impacts on pension coverage and inequality. So, for example, can permissive rules for pension access and relatively high minimum pensions preserve high levels of coverage and maintain benefit inequalities relatively low. As will be seen in the following description, the different governments since the abandonment of import substitution industrialisation pursued very different strategies regarding coverage and benefit inequality.

Lets start with marking the point of departure. The pay-as-you-go pension system in force in 1975 provided relatively wide coverage and very generous benefits. Three big funds covered public sector workers, private sector workers and self-employed workers. Additionally a number of special pension regimes provided coverage for the police, the military, provincial and communal workers, and some other smaller occupational groups.(Huber 1996: 150/151) Depending on the effective number of years worked, pension benefits constituted between 70 and 82 % of the average salary during the three best paid years out of the last ten years before retirement.(MTEySS/SSS 2003: 15) The retirement age was set at 60 years for male and 55 years for female salaried workers, and 65 respectively 60 years for self-employed workers. Access to pension entitlements was relatively permissive. Although 30 years of work have theoretically been established as a requirement for the attainment of pension entitlements, the effectively required number of years of contribution was set significantly lower.(Barbeito/Lo Vuolo 1998: 158/159) This number varied over time and between occupational groups, but in general, until the 1993 reform bill, it remained relatively low. So, for example, according to law 18.038, self-employed workers were required to have contributed a minimum of only fifteen years to attain entitlement to a pension in 1975. For those who were not able to fulfill this requirement, there was a pension for advanced age, which required ten years of contributions and could be applied for by former salaried workers 65 years old or older and former self-employed workers 70 years old or older. This pension gave entitlement to 70 % of the value of the regular pension that the respective worker would have received if he or she had complied with the requisites for a regular pension. Furthermore the contributory system provided invalidity and widow pensions. (Barbeito/Lo Vuolo 1998: 159/160) Apart of the system of contributory pensions, there were means-tested non-contributory pensions for advanced-age and invalidity providing benefits amounting to 70 % of the minimum pension.(Laws 13.478 and 18.910)

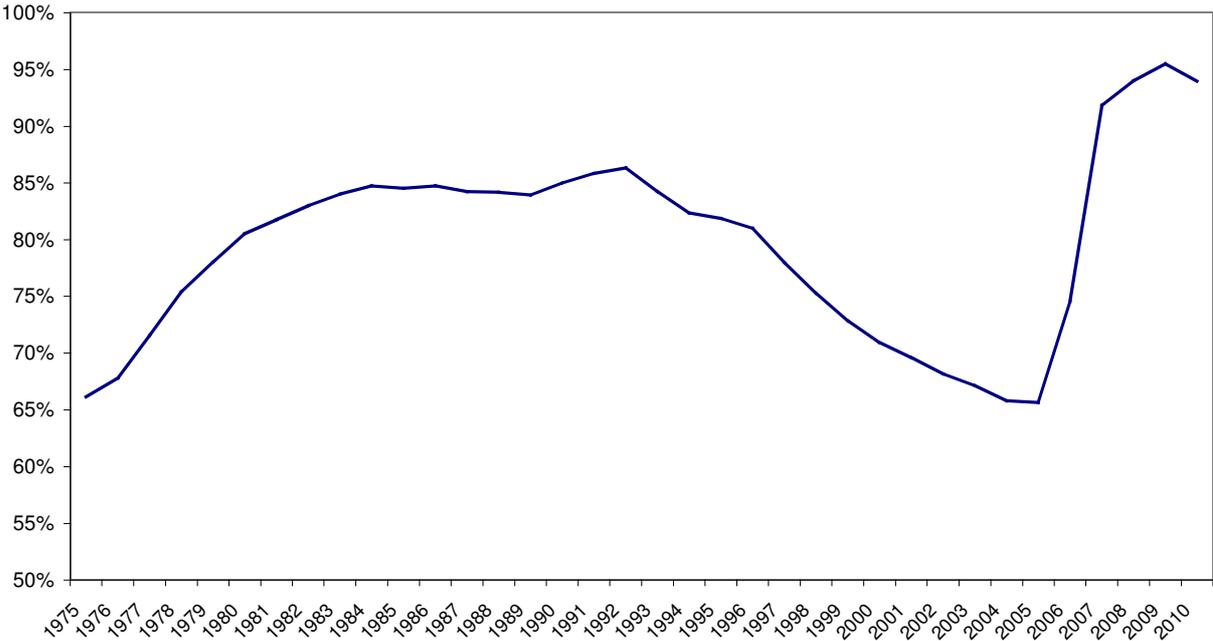
During the short democratic period between 1973 and 1976, efforts have been undertaken to increase coverage among rural workers, and to generally facilitate the access to pensions. (Barbeito/Lo Vuolo 1998: 126) As can be observed in figure 24, coverage among the elderly continued to expand rapidly during the military dictatorship between 1976 and 1983. The benefits to pension age population³⁸ ratio³⁹ increased from 67.8 % in 1976 to 84 % in 1983.

³⁸ The regular pension age has been different for self-employed and salaried workers, and has been modified during the 1990s. Yet, for operational reasons and due to limited availability of data I always refer to men 65 years or older and women 60 years or older.

³⁹ Remind that the total number of pension benefits also includes invalidity pensions, widow pensions and cases of early retirement, which is why the ratio shows higher values than the real pension coverage among the elderly. Nevertheless, the ratio serves as an indicator for the evolution of coverage.

However, available data shows that the coverage increase already started during the preceding democratic government.(CELADE database, MTEyFR/SSS 2001) Furthermore, the employment rate fell from 37.8 % of the population in May 1976 to 35.3 % in May 1983, while unemployment was only 0.3 percentage points higher.(INDEC database) This indicates that an important number of workers became economically inactive(not unemployed), which most likely means that they retired. The rapid increase in the pension benefit to pension age population ratio does therefore not necessarily reflect active policymaking of the military government, but may rather result from the measures implemented by the preceding government in combination with the deterioration of labour market conditions, which provided incentives to retire for those who were able to do so. At the same time, the average pension benefit level diminished drastically during the military rule.(See figure 25)

**Figure 24: Evolution of pension coverage among the elderly
(Number of Benefits / Number of men 65+ and women 60+)**

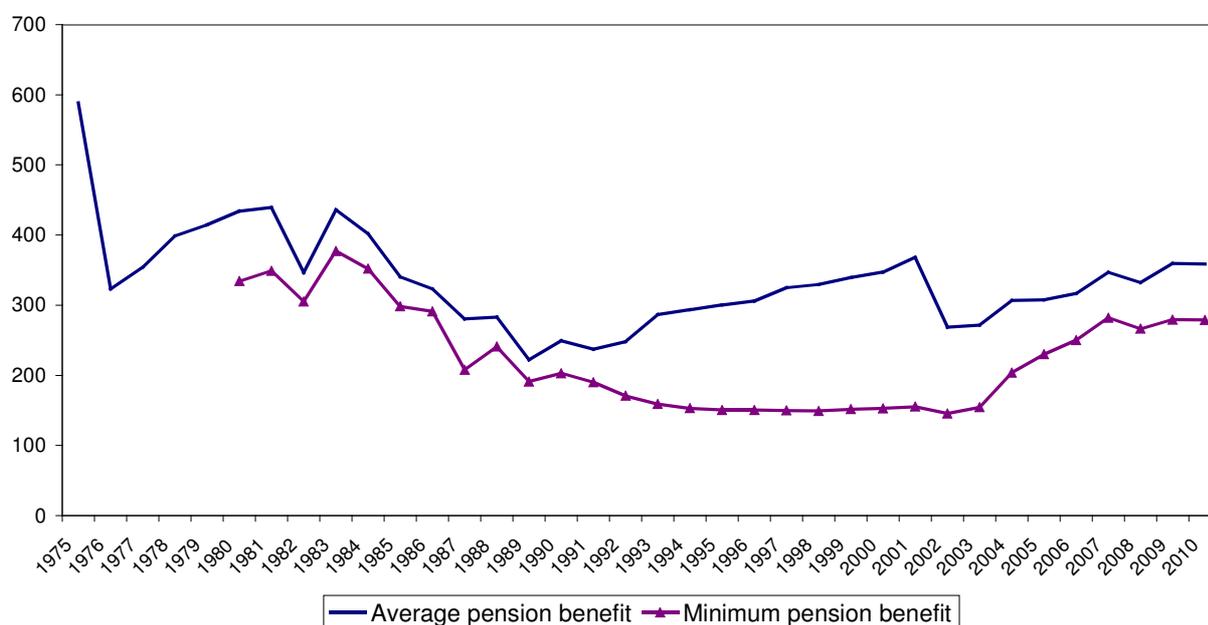


Elaborated by the author. Sources: For number of benefits⁴⁰: MTEyFR/SSS(2001) for the years 1975 – 1996, MTEySS/SSS(2008) for 1997 – 2008, MTEySS/SSS(2009) for 2009 and MTEySS/SSS(2010) for 2010; For number of men aged 65+ and women 60+: CELADE database⁴¹.

⁴⁰ The benefit numbers are annual averages until 1996. Between 1997 and 2007 they correspond to December of each year. In 2008 the number is from August, in 2009 from December and in 2010 from March.

⁴¹ Unfortunately the CELADE database only provides estimates for every 5th year. For operational reasons it has been assumed that the increase of the number of pension age persons has been steady between the available datapoints. The overall steadiness of the increase during 35 years(between 8 datapoints) justifies this assumption.

Figure 25: Evolution of average and minimum pension benefits, in Pesos of 1997



Elaborated by the author. Sources: For average benefits⁴²: MTEyFR/SSS(2001) for the years 1975 – 2000, MTEySS/SSS(2010) for 2001 – 2010; For minimum benefits⁴³: Cárcamo Manna(1998: 15) for 1980 – 1991 and MTEySS/SSS(2010) for 1992 – 2010; For inflation-adjustment: INDEC database for 1992 – 2005 and IPEC database for 2006 – 2010.

The dramatic fall of average pension levels during 1976 has been mainly a consequence of the before mentioned wage freeze in times of high inflation.(See 2.1.) From 1977 on, pension levels began recuperating, yet never reaching the average value of 1975, until they drastically fell again during the crisis in 1982. As can be seen in figure 25, the real minimum pension diminished significantly less in 1982 than the average pension, which led to a reduction of inequality between pension levels. During 1983, the last year of the dictatorship, pension levels were raised again. While the decrease of the year before affected in the first instance pensions above the minimum, the increase affected both equally, which implied that the relatively small difference between minimum and average pension was preserved.

During the democratic government of Raúl Alfonsín, between late 1983 and mid 1989, pension benefit levels decreased steadily, yet maintaining the inequality between benefits relatively low. A comparison of figures 11(evolution of wages, see 2.1.) and 23 shows, that

⁴² The average pension levels are annual averages until 2000 and correspond to December of each year afterwards.

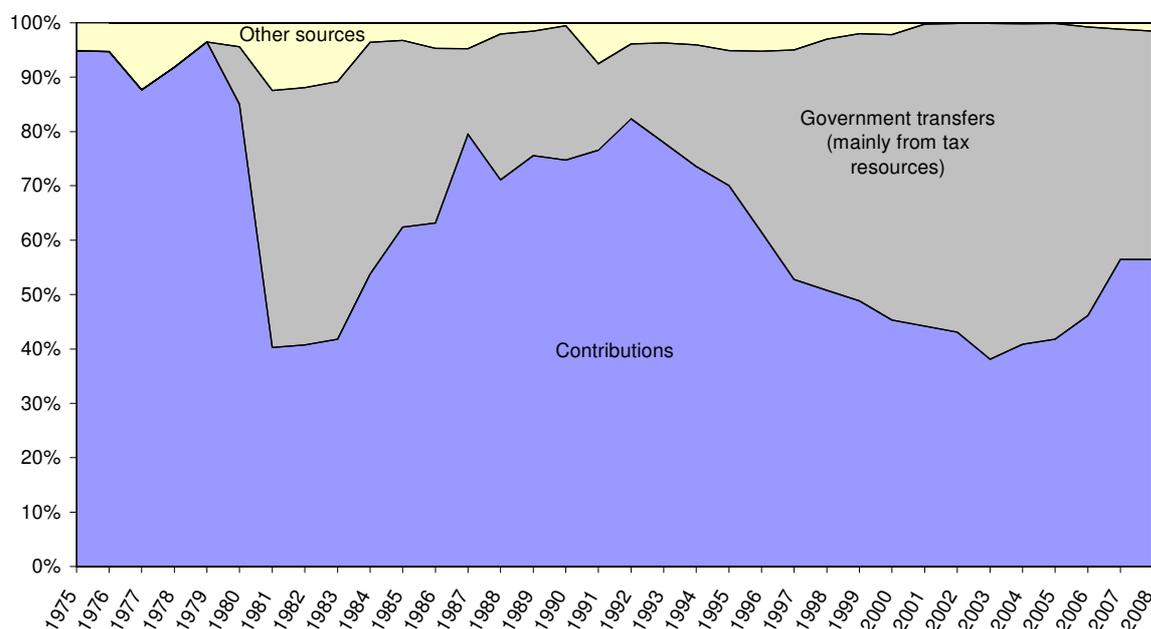
⁴³ The minimum pension levels are annual averages until 1991 and correspond to December of each year afterwards. Unfortunately I do not have data for the years 1975 – 1979.

average pensions did not follow the evolution of wages during the 1980s. While real wages experienced increases during 1984 and 1986, average pensions fell steadily. This reflects the increasing fiscal imbalances that plagued the system. As can be seen in figure 26, the pension system was nearly exclusively financed through contributions until 1979. With the suspension of employer contributions in 1980, huge tax transfers became necessary. The gradual reintroduction of employer contributions from 1984 on, however, could only partly undo the imbalance. (Barbeito/Lo Vuolo 1998: 337) Other factors exerting fiscal pressures remained, such as population ageing, the strong expansion of coverage, and increasing unemployment and informal employment.(MTEySS/SSS 2002: 15) Therefore, and notwithstanding the legally established 70 % to 82 % replacement rate, real replacement rates during the mid/late 1980s rarely surpassed 55 %, which consequently led to a flood of legal claims.(Kay 2000: 12) In 1986, the state declared “Pension Emergency” and suspended in the alleged name of “national interest” all judicial processes claiming for pension benefits according to legislated levels.(Arza 2009: 16/17, Barbeito/Lo Vuolo 1998: 162) However, official replacement rates were not amended.

Coverage rates were sustained on a very high level during the government of Raúl Alfonsín. (see figure 24) This has partly to do with the fact that a growing informalisation and precarisation of the labour market only unfolds its impacts on pension entitlements after several years. On the other hand, access to pensions remained permissive and was facilitated through the reiteration of so called “moratoriums”(moratoria)⁴⁴.(Barbeito/Lo Vuolo 162/163) According to Alberto Barbeito and Rubén Lo Vuolo(1998: 161), nearly a 100 % of the formerly economically active population had access to pensions in the 1980s, even though many of them had remained outside the formal labour market during prolonged periods. A permissive handling of the access criteria has also been applied with respect to invalidity pensions. This led, in the context of a difficult labour market situation, to the triplication of invalidity pensions during the 1980s. (calculated on the basis of MTEySS/SSS 2002: 16 and MTEyFR/SSS 2001) Other smaller measures like the law 23.226 from 1985, which guaranteed right to a widow pension to not married life partners, have further contributed to the high benefits to pension age population ratio.(<http://www.mujer.gov.ar/leg.htm>, opened on 29th of October 2010)

⁴⁴ Pension “moratoriums” were programmes that facilitated the attainment of pension entitlements through the posterior payment of contributions.

Figure 26: Financial sources of the Argentinean pension system



Elaborated by the author. Sources: MTEyFR/SSS(2001) for the years 1975 – 2000 and Arza(2009: 34) for 2001 - 2008

From mid 1989 on, the peronist government of Carlos Menem changed the direction of pension policies quite radically. While under his predecessors coverage had been raised, benefit inequalities had been diminished and average benefit levels had been reduced, the new government induced exactly the opposite in all three areas. As can be seen in figure 24, coverage began to decline steeply from the early 1990s on. Figure 25 shows, that the breach between minimum and average pension began to grow rapidly, as the minimum was fixed at a very low level, while the average recuperated with the stabilisation of the economy and the decline of inflation. In comparison, under the government of Raúl Alfonsín the minimum pension benefit constituted in average 86 % of the average pension benefit, but only 58 % under Carlos Menem. (Own calculations on the basis of the data used for figure 25)

One of the very view measures that intended to expand pension coverage during this period was the introduction of a non-contributory pension benefit for mothers of seven or more children through law 23.746 from 1989, which was approved by the two chambers of the congress very shortly after president Menem took over.

The payment of lower benefit levels than guaranteed by law during the 1980s led to the accumulation of enormous debts with the beneficiaries, which amounted to about eight billion

dollars in the early 1990s. To consolidate this debt the government decreed, that all debts of the pension system until the 31st of March 1991 would be obligatorily converted into public bonds with a duration of ten years.(Barbeito/Lo Vuolo 1998: 162, Lo Vuolo 1998b: 217/218) Furthermore, in 1991 the 5 % points employer contributions to the national housing fund(FONAVI) were permanently transferred to the pension system to improve its financial situation.(Barbeito/Lo Vuolo 1998: 338) As can be seen in figure 26, the gradual reduction of the fiscal imbalance of the system only persisted until 1993. The steep rise of the imbalance from 1994 on can be ascribed to mainly four reasons. First of all, the partial privatisation of the system caused enormous transitional costs, as contributors who switched to the private system began to pay their contributions to private funds, while the financing of pension entitlements attained before 1994 remained the responsibility of the public pay-as-you-go system.(Rofman 2006: 94) Secondly, the government decided to integrate several loss-making provincial pension funds into the national pension system.⁴⁵(MTEySS/SPSS 2010: 5, Lo Vuolo 1998b: 221) Thirdly, agreements between the national government and several provinces, with the aim to stimulate growth, led to reductions of the employer contributions in certain areas.(Lo Vuolo 1998b: 221) In 1996, these constituted an average national reduction of employer contributions of 37.9 % according to the ministry of labour.(La Nación 6th of November 1996) And fourth, the acceleration of the persistent deterioration of the labour market implied an additional loss of contributions.(Arza 2009: 4)

The main strategy of the government to countervail the rising deficits of the pension system during the 1990s was the reduction of coverage.(Rofman 2006: 95) This strategy was based on a stricter handling of the eligibility criteria and the implementation of significantly stricter rules with the reform bill from 1993. Furthermore, after a decade and a half of labour market deterioration, the rise of unemployment and informal employment increasingly began to affect pension coverage negatively, as the number of workers that had been permanently excluded from the formal labour market increased. Figure 24 shows that the rapid reduction of coverage among the elderly already started in 1993, which means, one year before the enactment of the stricter eligibility criteria in 1994⁴⁶. This confirms that the different handling of the same rules under different governments is a very important factor in Argentinean pension policies.

⁴⁵ Catamarca, Jujuy, La Rioja, Río Negro, San Luis, Tucumán, Salta, Mendoza, San Juan, Santiago del Estero y Ciudad de Buenos Aires.(MTEySS/SPSS 2010: 5) Financing for the assumed deficits came mainly from International Financial Organisations.(Lo Vuolo 1998b: 221)

⁴⁶ The pension reform was sanctioned in 1993 and implemented in 1994.(Arza 2009: 4)

The pension reform bill from 1993 introduced several very profound changes to the pension system. Although the enacting of stricter rules of access received considerably less attention than the privatisation component of the reform, it was one of the modifications with the strongest social impact. From 1994 on, the number of required years of contribution was increased to 30, which implied that the attainment of pension entitlements became basically restricted to long-term formal workers. This contrasts strongly with the increasing informalisation of the labour market and the rising levels of unemployment.(Arza 2009: 7) At the same time, the regular retirement age was gradually elevated from 60 to 65 years for male salaried workers, and from 55 to 60 years for female salaried workers.(Lo Vuolo 1998b: 219) The benefits to pension age population ratio fell dramatically from 82.3 % in 1994 to 70.9 % in 2000 and 65.6 % in 2005. (see figure 24)⁴⁷

The privatisation component of the reform induced the creation of two parallel systems: one public pay-as-you-go system and one mixed system with a basic public pay-as-you-go component and a private individual capital account component. Workers had to choose between the two systems.(Lo Vuolo 1998b: 219) However, who did not actively choose within a limited period was automatically allocated to one of the private funds, which led in practice to the transference of most contributors to the private scheme.(Arza 2009: 9)

The benefits of the new public pay-as-you-go system were composed by three elements. The first component was the so called “Universal Core Pension” (Prestación Básica Universal/PBU). Its value was uniformly set at 2.5 times the value of the mean monthly workers’ pension contribution(Aporte Medio Previsional Obligatorio/AMPO)⁴⁸. Yet, for every year of contribution exceeding 30 years, the PBU increases by 1 %. The second and the third components, the so called “Complementary Benefit”(Prestación Complementaria/PC) and the “Additional Benefit for Continued Affiliation(to the public system)”(Prestación Adicional por Permanencia), are stronger tied to former contributions. Both are calculated on the basis of the average income during the last 10 years before retirement. The PC only concerns contributions that have been made before the enactment of the pension reform in 1994. For each year of contribution before 1994 the PC provides pension entitlement to 1.5 % of the average income of the last 10 years of contribution. The PAP concerns all contributions that have been made after 1994 and provides pension entitlement to 0.85 % for each year of contribution.(Lo Vuolo 1998b: 219)

⁴⁷ Alternatively, Calvo et al.(2010: 225/226) estimate that the coverage rate among the population at retirement age decreased from 78 % in 1992 to 65 % in the mid 2000s.

⁴⁸ The AMPO is calculated by dividing the sum of all pension system contributions in one month through the number of contributors. The AMPO is calculated twice a year and serves as some kind of “measuring unit” for the pension calculation.(Lo Vuolo 1998b: 219)

The pensions of workers who chose the mixed system were composed by the “Universal Core Pension”(PBU) and the so called “Ordinary Pension”(Jubilación Ordinaria/JO), which was based on the principle of individual capital accounts and managed by private funds called “Pension Fund Administrators”(Administradoras de fondos de Jubilaciones y Pensiones/AFJP). The pension benefits of the JO finally depended on the contributions made by the worker and the investment returns of the respective private pension fund. The individual capital account component showed many similarities with the Chilean system.(Lo Vuolo 1998b: 219/220)

In general, the new calculation formula of benefit levels implied a significantly lower replacement rate than the 70 % – 82 % established in anterior pension laws.

Although the state continued to guarantee a minimum benefit, the stricter eligibility criteria severely reduced the possibilities of access. This is due to the fact that, in order to obtain a minimum pension, workers have to comply with the same requirements that have been established for the attainment of regular pension entitlements.(Lo Vuolo 1998b: 220) Furthermore, the value of the minimum benefit was set very low with 150 pesos, and has not been increased between 1992 and the collapse of the convertibility regime in 2002. For this reason, the minimum benefit relatively decreased between December 1992 and December 2001 from 68.8 % to 41.8 % of the mean pension benefit.(See figure 25)

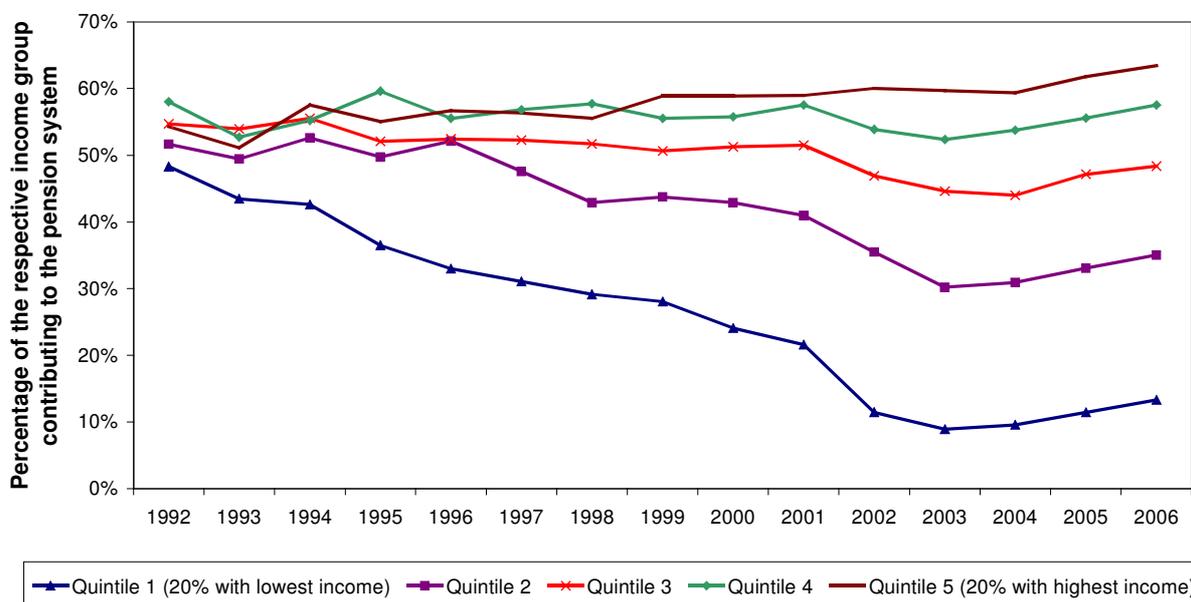
Shrinking pension coverage and low minimum pensions contributed not only to the rise of poverty levels, but also led to an increased participation of older people in the economically active population(Alós et al 2008: 34), which aggravated the severe unemployment problems. For high incomes, the contribution assessment ceiling was set at 60 AMPOs which equalled 4560 Pesos in June 1997.(Lo Vuolo 1998b: 220)

As a whole, the 1993 pension reform law reduced the degree of solidarity in the Argentinean pension system.(Mesa-Lago 2009: 15) While before benefits depended mainly on earnings during the last years before retirement, from 1994 on, they began additionally to depend stronger on the number of years of contribution. This increased the inequalities between pension benefits, as those who have lower incomes are much more likely to contribute less years to the system than those with higher incomes.(see 2.1.) Additionally to the disadvantages that result from gender discrimination in the labour market, women’s pensions were going to be significantly lower in the private accumulation scheme due to their longer life expectancy.(CNM 1994: 21) Also of importance is that the shift towards a mixed system with individual capital accounts caused significant transitional costs(Kay 2000: 7), which had to be financed through tax transfers. Due to the regressive character of the tax system, and the fact that the pension expenditure became increasingly concentrated on those who formerly earned well, while low

earners were increasingly denied access to any kind of pension, the Argentinean pension reform of 1993 exacerbated the trend of rising income inequalities through its regressive redistributive impacts.(Goldberg/Lo Vuolo 2006: 82/83)

One of the justifications of the reform was that in the old system workers had supposedly too little incentives to pay contributions, while the creation of a stronger link between contributions and benefits would provide incentives for the correct payment of these.(Arza 2009: 7, Goldberg/Lo Vuolo 2006: 84) However, as can be seen in figure 27, the trend of a decreasing coverage of the working population has continued after the reform. According to Rafael Rofman, Leonardo Lucchetti and Guzmán Ourens(2008: 29) the percentage of working persons contributing to the pension system decreased from 50.9 % in 1994 to 45.3 % in 2000 and 43.4 % in 2006. Especially the 40 % of the working population with the lowest incomes experienced a dramatic reduction in their coverage rate, while it increased very slightly for the best earning 40 %. In 2006 only 13.3 % of the poorest quintile of the working population were contributing to the pension system, while this number was 63.4 % for the richest quintile. (Rofman/Lucchetti/Ourens 2008: 32) There is also a strong positive correlation between the level of education and the probability of being contributor to the pension system. (Rofman/Lucchetti/Ourens 2008: 16) This means, the higher the income and educational level, the more likely is the attainment of pension entitlements.

Figure 27: Pension system coverage of the working population by income quintiles



Elaborated by the author. Source: Rofman/Lucchetti/Ourens 2008: 32

The numbers visualised in figure 27 indicate, that since the pension reform the insider/outsider divide has deepened significantly. Generally, this tendency can be attributed to the deterioration of labour market conditions. The coverage increase among high earners possibly has something to do with the new incentives. However, in contrast to the assumption of the government that a closer link between contributions and benefits would lead to an increased willingness to pay social insurance contributions, the establishment of stricter eligibility criteria may have created consciousness among low earners that their chances to attain pension entitlements are indeed very low, and that therefore pension contributions were basically lost income.

In March 1995, the government reached the passing of the so called “Pension Solidarity Law” aimed at mitigating the increasing financial imbalance of the pension system. Despite the name, the actual law has little to do with common understandings of solidarity. While before, pensions have been automatically adjusted according to the evolution of the AMPO, that means in relation to the evolution of the average pension contribution, which ultimately depends on the evolution of wage levels, the “Pension Solidarity Law” abolished this automatic mechanism, and established that the government may decide each year about pension level increases according to their fiscal possibilities. (Kay 2000: 12) Despite the elimination of automatic pension adjustment for already retired workers, the AMPO still served as point of reference for the determination of

the pensions of retiring workers. However, in August 1997 the government used an emergency decree (Decreto de Necesidad y Urgencia/DNU, 833/97) to completely eliminate the AMPO and to replace it by the so called “Pension Module”(Módulo Previsional/MOPRE), which was not anymore attached to the mean pension contribution, but was instead adjusted arbitrarily by the government.(Lo Vuolo 1998b: 222)

In the same year, law 24.828 created a so called “Houswife Pension Scheme” within the private branch of the pension system, which worked purely according to the principle of individual pension capitalisation accounts. The affiliation to this pension scheme was voluntary. The minimum contribution equalled 11 % of the lowest income possible to register with the pension insurance. However, the affiliation to this scheme did not entitle to any kind of minimum pension, so that pensions resulting from this system can be expected to be very low. In practice this law changed little with regard to the exclusion of women from pension entitlements.

During the short government of the so called “Alliance”(Alianza) under President De la Rúa, from late 1999 to late 2001, pension policies followed the same line that has been pursued by its predecessor. As can be seen in figures 24 – 27, pension coverage among the elderly as well as the working population continued to fall, the breach between minimum and average pension continued to rise, and the fiscal imbalance of the system continued to worsen.

Encouraged by the IMF, and in face of the economic and fiscal crisis suffered by the country since late 1998, the government decided to cut pension benefits over 500 Pesos by 13 % in July 2001.⁴⁹(La Nación 21st of July 2001, 31st of July 2001) Short time later, the government forced the private pension funds to buy treasury bills.(Kay 2009: 6)

In November 2001, article 15 of the decree 1387/01 reduced worker pension insurance contributions from 11 % to 5 %, justified with the need to stimulate consumption. However, just one month later, through article 5 of the decree 1676/01, the reduction was limited to only those who were affiliated to the private capitalisation system. Taking back the reduction for workers affiliated to the public pay-as-you-go scheme was justified with the difficult fiscal situation. This measure further increased the bias of the Argentinean pension system towards its private component, as it provided incentives for workers to opt for the latter. Yet, in the long run, the reduction of contributions was going to affect private scheme pension levels negatively. Furthermore, it aggravated the problem that the high administration costs consumed a big share of the actual contributions.(Arza 2009: 8)

⁴⁹ The so called “zero deficit bill” also included a 13 % wage reduction for public employees.(La Nación 31st of July 2001)

In late 2001 President De la Rúa resigned in face of the rapidly aggravating economic and social situation and the rise of massive protests. The succeeding peronist interim president Rodríguez Saa restored the 13 % cut in pensions and public sector wages.(Kay 2009: 6) On the 23rd of December he announces Argentina's default on big parts of its public debts. Due to the lack of support from his own party, he felt forced to resign after only one week in charge. In early 2002 the peronist interim president Eduardo Duhalde takes over. Short time after he decides the devaluation of the currency, which implies the end of the so called convertibility regime.(Golbert 2004: 13) The default and the devaluation seriously affected private pension funds, as government bonds constituted 64 % their assets at that time.(Mesa-Lago 2009: 15, Arza 2009: 8)

From 2002 on, pension policies changed direction again. While during the 1990s pension policies were inducing bigger inequalities between benefit levels, lower coverage, a bigger financial imbalance, and privatisation, after 2002 these trends were reverted in all four areas.

Average pension levels fell steeply as a consequence of the lack of an automatic indexation mechanism during the short but intense burst of inflation in the aftermath of the currency devaluation. Minimum pensions, in contrast, were maintained at about their former real value, which led to a significant flattening of pension benefit level differences. Under the in 2003 elected peronist president Néstor Kirchner, minimum pension levels were frequently raised at higher rates than those above the minimum, which implied a further reduction of inequalities. (Arza 2009: 15, also see figure 25) In December 2001, the minimum pension benefit constituted only 41.8 % of the mean benefit, but until March 2010 this indicator rose to 77.8 %.(Calculations by the author on the basis of MTEySS/SSS 2010: 28) Simultaneously, the share of pensioners receiving the minimum benefit rose to over 70 % in 2008.(Arza 2009: 16) Benefit increases for those above the minimum clearly lacked behind the wage development. While in December 2001 the mean pension benefit constituted 41.2 % of the mean wage of pension system contributors, this relation worsened to 35.6 % until March 2010. However, the minimum pension increased in relation to the mean wage of pension system contributors, from only 17.2 % in December 2001 to 27.7 % in March 2010.(Calculations by the author on the basis of MTEySS/SSS 2010: 22/28)

From 2005 on, with the so called "pension inclusion programme"(Programa de Inclusión Previsional), the government enacted measures to increase the pension coverage among the elderly population. The articles 1 to 5 of Law 25.994 introduced the possibility of early retirement for unemployed workers who are at the most 5 years younger than the regular retirement age and have at least contributed 30 years to the system. The early retirement benefit

was set at 50 % of the regular pension benefit, yet cannot be lower than the minimum pension. Once the regular pension age is reached, the respective worker receives the full regular pension benefit to which he or she is entitled.

Article 6 of the same law and decree 1454/05 opened a so called “pension moratorium”(moratoria provisional) which allowed workers at retirement age who did not fulfil the requirement of 30 years of contributions to immediately receive a pension benefit. However, the idea of the moratorium was that the respective pension benefit recipients pay their “debt” with the pension system, resulting from the missing years of contribution, in 60 monthly payments that were automatically discounted from the perceived pension benefit. Camila Arza(2009: 12) estimates that these discounts constituted in average about 40 % of the pension benefit. This is why, in practice, the benefits of the “moratorium pensions” were considerably lower than regular pensions, at least during the first five years of perception. The main components of the “pension inclusion programme”, specified in law 25.994, had only a limited duration of two years, and were effectively closed on the 30th of April 2007(Arza 2009: 11). This means that law 25.994 has not implemented a permanent change of the eligibility criteria of the Argentinean pension system. Only those components of the moratorium introduced with the decree 1454/05 were of permanent character. However, these are of far lower impact as they only refer to self-employed workers and only allow to cancel debts with the pension system that originate from the years previous to the enactment of the 1994 pension reform.

The overall positive impact of the moratorium on pension benefit coverage was enormous. This is especially true for the first two years, when all components of the pension inclusion programme were operating. According to information of the “Ministry of Work, Employment and Social Security”(Ministerio de Trabajo, Empleo y Seguridad Social/MTEySS) 2,387,793 new beneficiaries obtained pension entitlements through the programme between the third quarter of 2005 and the first quarter of 2010.(MTEySS/SSS 2010: 34, see also figure 24)

The pension inclusion plan was also an important improvement regarding gender equality in the pension system. Women’s chances of attaining pension entitlements have been drastically reduced through the introduction of stricter eligibility criteria with the 1993 reform. This is related to what has been argued in point 2.1.. Women are far stronger affected by factors that minimize the chances to fulfil the strict eligibility criteria established with the 1993 reform: unstable work histories, prolonged periods outside the labour market due to child care or family work, unemployment, informality, low pay and so on.(see 2.1. for more detail) In contrast, the moratorium over-proportionally enabled the attainment of pension entitlements for women.

According to Camila Arza(2009: 12) about 87 % of the beneficiaries from the moratorium were women.

The overall annual costs of the pension inclusion programme have been very high and show the government's commitment to pension coverage extension. In July 2007, the moratorium accounted for about 30 % of the total pension expenditure.(Arza 2009: 12) However, as can be seen in figure 23, the total pension expenditure in 2007 and 2008 consumed only a similar proportion of the GDP as it had done during the 1990s. This has been possible because the pension expenditure as a proportion of the GDP had been drastically reduced between the devaluation of the currency in 2002 and the initiation of the pension inclusion programme in 2005. The relative decline of pension expenditure during these years had mainly to do with the lack of mechanisms of automatic indexation in a context of returning inflation and very strong GDP growth. In simplified terms, the financial resources set free through economic growth and the reduction of all pensions above the minimum in the aftermath of the 2002 currency devaluation allowed a rapid expansion of the pension benefit coverage, without exceeding the proportion of the GDP destined to the pension system during the 1990s, when coverage had been declining steeply.(See figures 23 and 24)

With the recuperation of the economy also the dependency of the pension system on government transfers started to decrease slightly.(See figure 26)

In 2008, the congress approved a law, presented by the government, which reintroduced an automatic mechanism of pension benefit indexation. Already years before, the reintroduction of such a mechanism had been on the agenda of several oppositional parties, and had also been repeatedly demanded by the supreme court. Expressed in simplified terms, the new mechanism consists of two components: the evolution of pension system revenue divided through the number of beneficiaries, and the evolution of wages. Whichever component is lower will be taken to determine the pension adjustment. This way, pensions are falling behind wages in the long run, which is supposed to protect the system against the financial effects of population ageing.(Página 12 5th of September 2010, Arza 2009: 17) The indexation mechanism only determines pension benefit increases since March 2009. Pensioners who received benefits above the minimum were not given compensation for the loss of purchasing power between 2002 and 2008, which is why inequalities between benefits did not increase abruptly.(Arza 2009: 17) Yet, in the long run they can be expected to grow again as new pensioners retire with diverse benefit levels, and the uniform indexation mechanism will maintain these differences over time. The government can still decide to frequently raise the minimum pension level stronger than the

indexation mechanism would require, however, it cannot anymore that easily compensate the costs of over-proportional increases of the minimum pension with reductions of higher pensions.

Interestingly, the fragmented opposition recently converged around a law project to fix the benefit level of the minimum pension at 82 % of the minimum wage, which would imply an increase of about 36 %.(El Clarín 12th of October 2010) The project was approved by both chambers of the parliament, but immediately vetoed by the president. Overriding the presidential veto would require the vote of two thirds of the chamber of deputies, which is currently not at the reach of the supporters of the project.(Página 12 15th of October 2010)

In 2007, by means of law 26.222 and the decrees 22/07, 313/07 and 897/07, the government introduced several changes to the pension system, aiming at a reinforcement of the role of the state in it. While article 1 of decree 22/07 prolonged the validity of the reduced worker contribution for the capitalisation scheme until the 1st of January 2008, article 5 of decree 313/07 established that new contributors of the private pension scheme had to pay a monthly contribution of 11 % already from 28th of May 2007. This way the government gradually reduced incentives for workers to opt for the capitalisation system. The pension reform law 26.222 established various changes to the system that furthermore promoted the affiliation to the public pension scheme: a) Women aged 50 and older and men aged 55 and older with very low amounts on their individual pension capitalisation accounts were automatically transferred to the public pay-as-you-system⁵⁰, b) new contributors of the pension system were automatically registered with the public scheme unless they actively chose otherwise⁵¹, c) contributors of the private scheme obtained the possibility to switch to the public system during 180 days from the enactment of the law⁵², and d) public system benefit entitlements for each year of contribution after 1994 were increased from 0.85 % to 1.5 % of the average wage of the last 10 years before retirement. Also in 2007, after having been demanded by the trade unions and the Supreme Court(Página 12 16th of August 2005), privileged regimes for scientists, teachers, judges and diplomats were reactivated, which implied that these occupational groups switched back into the public system.(Arza 2009: 13) With the purpose of managing the stocks that had been transferred from the private pension capitalisation accounts to the public scheme, decree 897/07 established

⁵⁰ This change lead to the transfer of about 400,000 contributors from the private to the public scheme.(Arza 2009: 32)

⁵¹ As mentioned before a big majority of new contributors did not make any choice since 1994. Therefore this change had considerable influence on the distribution of new pension insurance members between the public and the private scheme. Camila Arza(2009: 32) estimates that due to this modification the public system would additionally receive 700,000 new contributors each year.

⁵² According to Camila Arza(2009: 32), 900,000 contributors took this opportunity.

the so called “Guarantee and Sustainability Fund”(Fondo de Garantía de Sustentabilidad/FGS). (Arza 2009: 32)

The additional revenue, resulting from the transfer of contributors from the private to the public scheme, became a key resource for financing the expansion of coverage. Not only did the public system benefit from the increase of their monthly revenue through the new contributors, but also from the transfer of the accumulated capital from the private accounts, which represented about 1 % of the GDP with respect to those who switched, or were transferred, to the public system as a consequence of the 2007 pension reforms.(Arza 2009: 13)

Short time after the financial crisis of 2008 began to globally affect pension funds, the government effected the complete nationalisation of the private pension scheme and the reestablishment of a single public pay-as-you-go pension system. The accumulated private pension assets, which had reached a value of about 9 % of the GDP, were transferred to the “Guarantee and Sustainability Fund”.(Arza 2009: 4)

In face of the versatile character of pension policies since 1975, it may be helpful to resume the central trends with respect to the adaptation of pension policies to the transformations on the labour market. As has been argued before, social insurance systems are usually prone to reproduce the changes on the labour market instead of countervailing them. In Argentina this would have implied rising inequalities between pension benefit levels and decreasing coverage. However, the different governments in Argentina since 1975 followed quite different paths after 1975. During the military dictatorship the real values of pensions fell drastically, but at the same time, coverage expanded enormously and also the breach between minimum and average pension decreased significantly during the last two years of the dictatorship. The democratic government of the “Union Cívica Radical”(UCR) between 1983 and 1989 sustained coverage rates on a high level and kept inequalities between benefits very low. Therefore, during the first 15 years of labour market deterioration, pension policies successfully countervailed the trends towards rising inequalities and social exclusion. The average pension level fell strongly during the period, but this reflects rather the impoverishment experienced by the society as a whole than an impoverishment of the pension system in particular. Pension expenditure as a share of the GDP nearly doubled between 1975 and 1989.(See figure 23) During the following 12 years the pension policies of the “Partido Justicialista”(PJ) and the succeeding coalition government between the UCR and the “Frente País Solidario”(FREPASO) reverted these trends and enabled the reproduction, if not reinforcement, of the persistently deteriorating labour market variables through the pension system. From 2002 on, governments led by the centre-left wing of the PJ followed a path comparable to that of the UCR government during the 1980s, although with the

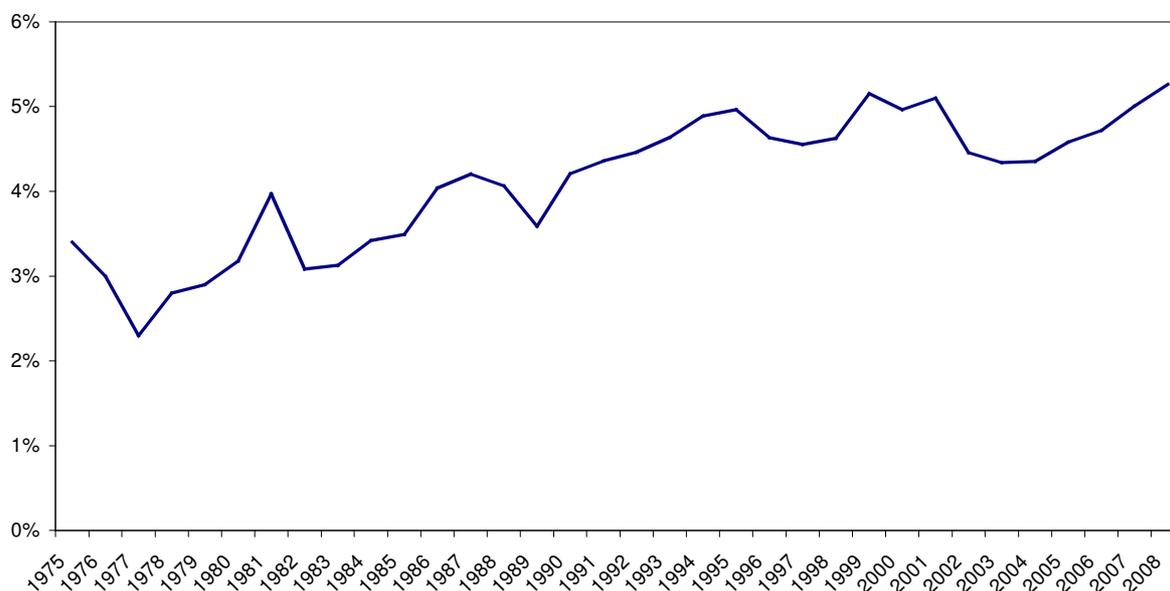
advantage of a more favourable evolution of the economy. Yet, a central problem is that, despite the renationalisation of the system, the strict eligibility criteria of the 1993 reform bill remain in force until today. In contrast, the centrepiece of the so called “Pension Inclusion Plan”, which enabled the rapid expansion of coverage, was only a transitory measure with two years of duration. Taking the persistently high levels of income inequality(see figure 13 in 2.1.) and the low and unequal affiliation to the pension system among the working population(see figure 27) into consideration, it is likely that similarly adverse trends as during the 1990s will return if no lasting institutional changes will be implemented.

b) Health care policies

Public health expenditure in Argentina as a percentage of the GDP increased during the last 35 years. This has been an international trend, which can be observed in most countries in Latin America and the OECD.(CEPAL database, OECD 2010) In 2008, Argentinean public health expenditure amounted to 5.3 % of the GDP(See figure 28) and was quite similar to that of Brazil with 4.9 % and Costa Rica with 5.8 %. Chile’s public health expenditure was lower with about 3.4 % of the GDP that year.(CEPAL database)

According to OECD(2010) data referring to 2008, public health expenditure was 8 % in Germany, 8.1 % in Austria, and 7% in Italy. This means European corporatist welfare states spend a higher share of their GDP on public health care.

Figure 28: Evolution of health expenditure as a percentage of the GDP



Elaborated by the author. Sources: For social expenditure: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008.

As was the case with the pension system, the evolution of public health spending alone tells us relatively little about whether health policies have responded to the labour market transformation process or not. Therefore, we will start with a short description of the main characteristics of the system during the mid 1970s. On that basis we can make some theoretical deliberations about the expectable impacts of labour market deterioration on the health system. Hence, a mixed analysis of disaggregated spending data and changes in the legal fundamentals of the system will show that governments not only failed to respond to the changes on the labour market, but even exacerbated their negative impacts through reforms that pursued other aims than welfare state adaptation.

Already in the mid 1970s the Argentinean health care system was strongly fragmented and consisted of a public sector, a semi-public social health insurance sector and a private health insurance sector. Although access to the public health sector was theoretically free and universal, it attended mainly those who had no insurance coverage, which means predominantly the poor population. On the other hand, the public sector also dealt with the major part of chronic and more complex diseases. The social health insurance system consisted of around 300 social insurance funds called “Obras Sociales”(OO.SS.), of which the majority was administrated by

the trade union of the respective occupational group. Affiliation to the OO.SS. became obligatory for salaried workers in 1970. They were financed through a levy on the wage and coverage extended to the core family members. Self-employed workers could choose between relying on the public system, joining one of the social health insurance funds or affiliating to one of the private insurers. In practice, formal workers and middle class were mainly concentrated in social health insurances, while the upper class often preferred private insurers.(Barbeito/Lo Vuolo 1998: 169, Lloyd-Sherlock 2006: 356) Pensioners had a separate social health insurance called “National Social Service Institute for Pensioners”(Instituto Nacional de Servicios Sociales para Jubilados y Pensionados/INSSJyP), which was financed through a mix of wage levies and a tax on pension benefits.(Lloyd-Sherlock 2006: 359)

Theoretically, the whole population was covered by the Argentinean health care system, as the public sector provides coverage in the case of not being insured. However, between and within the three types of health care provision there were important inequalities regarding the access to, and the quality of, health care.

In general terms, the mentioned distribution of social classes between the three sectors reflected the quality of the provided health care. Yet, also within each type there were important inequalities. So for example, the public sector, although theoretically universalistic, was in practice considerably worse in most poor areas.(Barbeito/Lo Vuolo 1998: 180)

The social health insurance sector in Argentina has been extraordinarily fragmented. There were around 300 different social health insurance funds with a widely varying quality. Each one constituted a monopoly in its respective occupational group. As average wages were not equal between these groups, also the revenues per covered person differed enormously between the “Obras Sociales”. To countervail these differences in revenue, the “National Institute of Obras Sociales”(Instituto Nacional de Obras Sociales/INOS) was responsible for redistributing a certain share of the social health insurance revenue between the different funds. However, the assignation of resources did not follow clear rules, but has been handled arbitrarily. Under these circumstances, the distribution of funds ended up being a currency in political negotiations and did little to mitigate inequalities between social health insurances.(Mera 2010: 105)

Besides the inequalities, inefficiency plagued the system. For the provision of health services the “Obras Sociales” usually contracted private sector firms. In face of the virtual absence of state regulation, this led to the emergence of an oligopoly of private health care providers and severe problems with corruption. These circumstances resulted in a heavy curative bias in detriment of prevention, and common problems like over-invoicing, over-medication, and the application of expensive treatments in situations where they were neither necessary nor aiding.

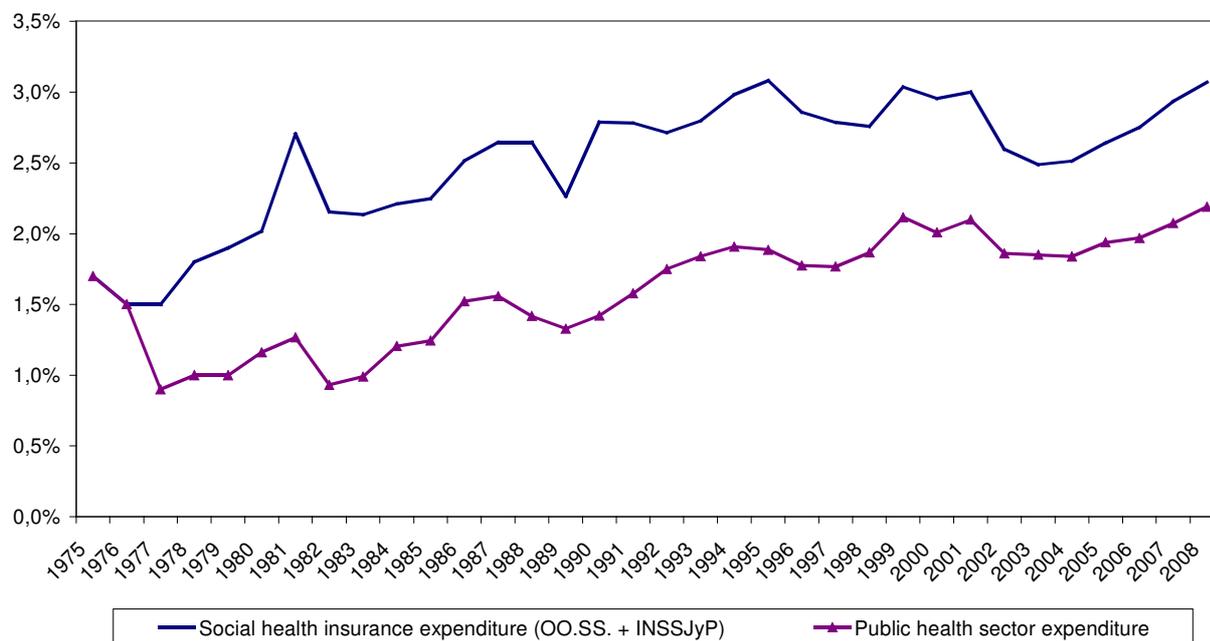
Patients were also often demanded co-payments above those legally established.(Barbeito/Lo Vuolo 1998: 169/170, Lloyd-Sherlock 2005: 1896, Lloyd-Sherlock 2006: 356/357)

It can therefore be said that the system already faced severe problems of inefficiency and inequity during the mid 1970s. The problems of inefficiency and inequity are closely related to each other, as most experts agree on that both have a lot to do with the fragmented character of the system.(e.g. Belmartino 2005a/b, Lloyd-Sherlock 2005, Maceira 2009) The fact that the core health indicators of Argentina compare very unfavourable to that of several other countries with similar per capita income that spend significantly less on health care, have to do with both the bad administration of resources and the inequitable distribution of them.(Maceira 2009: 3) The deterioration of the labour market could thereby be expected to have at least important impacts on the distribution of the health care resources between different groups of the society, thereby aggravating the equity problems of the system.

For these reasons, the main focus of this chapter will be on how the distribution of resources within the health sector has changed since 1975, and on how the different governments responded to the impacts of labour market deterioration on the health care system.

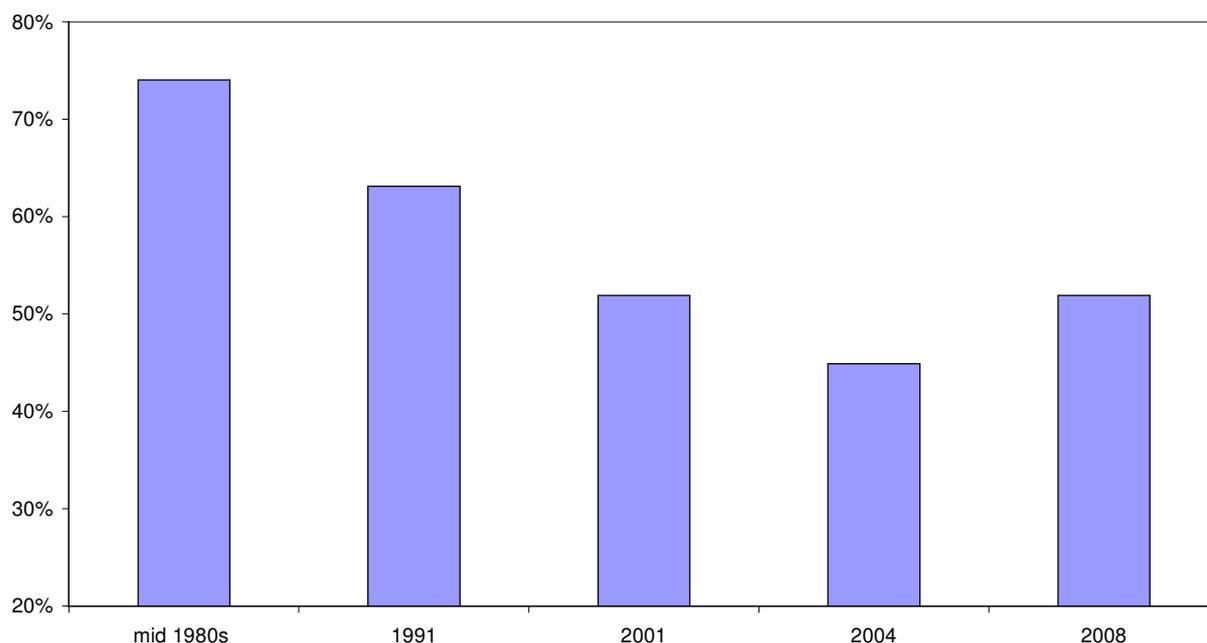
Four main impacts can be identified: Firstly, a decline of health insurance coverage, mainly due to rising unemployment and informal employment. Secondly, and as a direct consequence of the first point, the dependence of an increasing share of the population on public health sector provision. Thirdly, an increase of inequalities within the health insurance sector, due to the rise of income inequalities between different occupational groups. And fourth, the rise of regional disparities as a consequence of the geographically unequal distribution of the impacts of labour market deterioration.

Figure 29: Social health insurance expenditure vs. public health sector expenditure, as percentage of the GDP



Elaborated by the author. Sources: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008.

Figure 30: Health insurance coverage, in percent of the population



Elaborated by the author. Sources: For mid 1980s: Estimates by Barbeito/Lo Vuolo(1998: 169), for 1991 and 2001: INDEC national censuses, for 2004 and 2008: MSN(2010) for the number of persons covered by social health insurances and Lloyd-Sherlock(2006: 358) for an estimate of persons covered by private health insurances, For population numbers: INDEC database.

As can be seen in figure 29, public health expenditure was more or less equally distributed between the public health sector and the social health insurance sector in 1975 and 1976. Social health insurances provided services for the majority of the population, but the public sector, as has been mentioned before, provided treatment for more complex and chronic diseases also for insured patients. As can be seen in the same figure, the military government changed this distribution drastically in favour of social health insurance expenditure. While expenditure on both sectors was nearly equal when the military took over, public health sector expenditure passed to constitute only 46.4 % of social health insurance expenditure when the junta had to cede power in 1983. The increase of social health insurance expenditure may partly be the consequence of the 3 % point rise in health insurance contributions legislated shortly before the military took over. Nevertheless, the government seems to have actively pursued a stronger role of social health insurances, which may be seen in the fact that expenditure also increased during years in which wages were indeed falling.(Lo Vuolo/Barbeito 1998: 126, 337, also figures 11 and 29) At the same time, financing for the public health sector was reduced radically through

the transference of the responsibility for parts of the sector to the provincial level without an equivalent transfer of resources.(Vargas de Flood 2006: 148, Barbeito/Lo Vuolo 1998: 126) Furthermore, the military junta introduced fees into the hitherto free public health sector.(Lloyd Sherlock 2006: 355, Vargas de Flood 2006: 148) The small progress that the anterior democratic government had made towards a more integrated system were rapidly dismantled. The military government also attempted to restructure the system of OO.SS., and to lastingly quit trade unions their control over them, which, however, largely failed.(Vargas de Flood 2006: 148) Overall, the military junta induced a strong expenditure shift towards the insurance principle, which exacerbated the negative effects of rising unemployment, income inequality and informality.

The most important reform initiative of the succeeding democratic government of Raúl Alfonsín was the attempt to introduce a unified and comprehensive social health insurance system called “Seguro Nacional de Salud”(SNS). In its original version, this project aimed at the reorganisation and integration of the health sector under the leading role of the state. The public health sector and the social insurances were supposed to converge into one system, which would allow to extend an equitable coverage to the whole population.(Barbeito/Lo Vuolo 1998: 130, 172) In face of fierce resistance from the trade unions, the peronist opposition, and the private health sector, this project largely failed.(Mera 2010: 107) Those parts of the project, which finally reached legal status, did change relatively little in practice.

In 1988, the INOS was replaced by the so called “National Health Insurance Administration”(Administración Nacional del Seguro de Salud/ANSSAL), which since then controled the so called “Solidarity and Redistribution Fund”(Fondo Solidario de Redistribución) with the purpose to countervail the unequal distribution of financial resources among the different social health insurances.(Maceira 2006: 126/127, Barbeito/Lo Vuolo 1998: 172) Yet, despite the replacement of the INOS by a new entity, the redistribution of resources continued to lack rules, which enabled the use of its resources for political awards more than anything else. (World Bank 1993: 76) Due to these circumstances, the ANSSAL did in practice not reduce the increasing inequalities within the sector that resulted from rising wage differences between occupational groups.(Lloyd-Sherlock 2006: 357)

In the context of increasing unemployment and informality the share of the population that had no insurance coverage, and therefore depended on the public sector, increased.(see figure 29) The economists Alberto Barbeito and Rubén Lo Vuolo(1998: 169) calculated that around 74% of population were covered by social health insurances during the mid 1980s.⁵³ According

⁵³ However, they remind that this number is not exact due to double affiliation and problems with the elimination of former members from the lists of social insurance institutes.

to information from the national census, 63.1 % of the population were covered by health insurances⁵⁴ in 1991. Yet, as can be seen in figure 29, the social insurance bias of health expenditure has not been significantly reduced during the Alfonsín government, which hence implied the increase of existing inequalities.

In contrast to the 1980s, attempts of health reform during the 1990s were more concerned with fiscal and non-wage labour costs than with the inequitable and fragmented character of the system. No steps towards extending health insurance coverage or breaking the divide between the public health sector and social health insurances were undertaken. The reforms of the public health sector and the social health insurance sector were approached separately and did not aim at the creation of a more integrated system. Also, no significant progress regarding the regulation of the fragmented system was made.(Alonso 2007: 160, Lloyd-Sherlock 2006: 358)

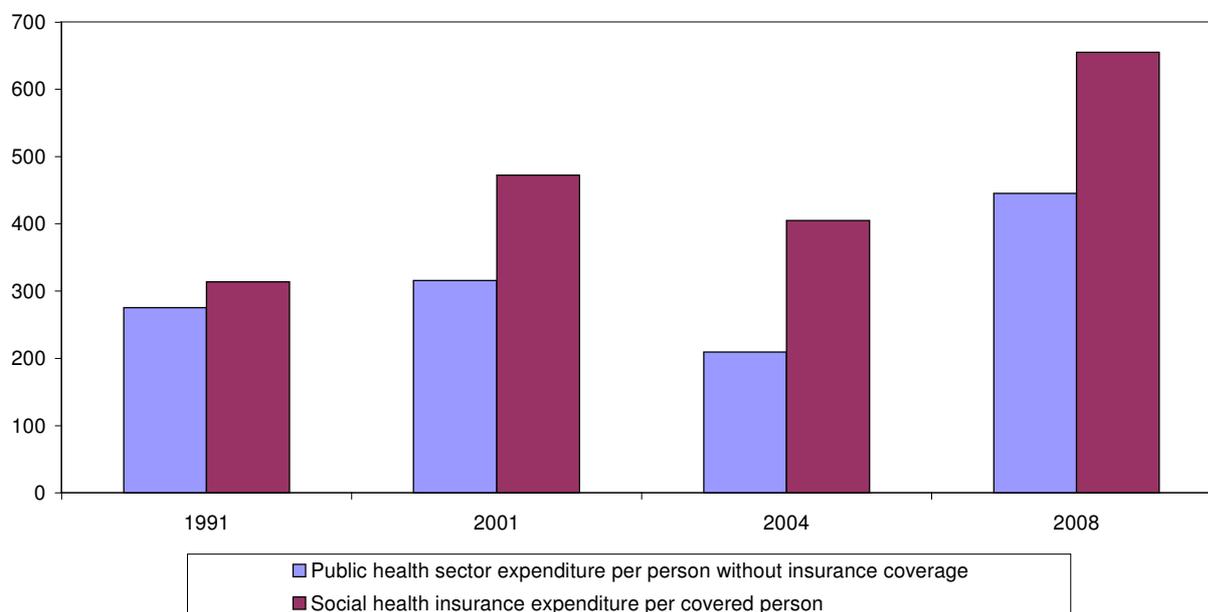
By decree 1269 of July 1992, the government of Carlos Menem advanced towards a complete decentralisation of the public health sector, which since then became mainly provincial responsibility.(Lo Vuolo 1998b: 231) Again, the transfer of fiscal responsibilities to subnational level was not combined with an equivalent transfer of fiscal resources. This way, the public health sector not only faced new fiscal restrictions as a whole, but the before mentioned regional inequalities within the public health sector were further exacerbated.(Cetrángolo/Gatto 2002: 18/19)

Figure 31 shows that the inequality between the public health sector and the social health insurance sector, regarding the assigned resources per covered person, increased significantly during the 1990s. In reality the health insurance bias is even bigger than the figure indicates, as it does neither consider (most of)⁵⁵ private health insurance expenditure, nor does it consider that spending on the public health sector is partially used for the attention of members of poorer social health insurances, as well as for more complex treatments for the general public.(Maceira 2009: 3) Therefore, the breach in the expenditure per covered person can be assumed to be somewhat higher than figure 31 already indicates.

⁵⁴ Includes social health insurances and private health insurances.

⁵⁵ It only includes private health insurance expenditure that stems from the obligatory contributions in the case of formal salaried workers. It does neither include private health insurance expenditure of self-employed workers nor voluntary extra payments.

Figure 31: Public health sector expenditure per covered person vs social health insurance expenditure per covered person, in 2001 Pesos



Elaborated by the author. Sources: For social expenditure: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008. For the number of persons covered: INDEC national censuses for 1991 and 2001(discounting number of persons covered by private insurers according to Lloyd-Sherlock(2006: 358)) and MSN(2010) for 2004 and 2008. For population numbers: INDEC database.

In 1993, the government introduced, with advisory and financial support of the World Bank, the possibility for public hospitals to become largely self-managed. The officially stated arguments for this reform step were that self-management would increase the hospitals' management capacities, local participation, and the capacity to recover costs by means of charging social health insurances for the attention of insured patients. The additional income created through this was supposed to (mostly) remain in the respective hospitals, so that these could use them to invest in medical equipment, which hence would make them more attractive for potentially chargeable customers. However, later evaluations by different scholars, and even the World Bank itself, found that in practice cost recovery from the treatment of insured patients was minimal.(Lloyd-Sherlock 2005: 1898) Despite the low impact of the reform, it constituted an attempt to introduce some kind of market mechanism into the public health sector.

The centrepiece of the 1990s health reform process, yet, were the attempts to introduce market mechanisms into the social health insurance system.(Alonso 2007: 159)

In 1993, decree 9/93 allowed social insurance members for the first time to switch between different social health insurances under certain circumstances. However, several years passed until this measure was effectively implemented.(Alonso 2007: 155) Decree 1141 from 1996 finally established that workers would be able to change social health insurance from the 1st of January 1997 on. In the following year, decree 504/98 implemented further regulations, which gave union leaders some influence in the decision about acceptance or decline of requests of workers who wanted to switch from one insurance to another. The introduction of competition was restricted to social health insurances, which meant that private insurers remained formally excluded.

Despite these limitations, the liberalisation further diminished the already low importance of redistributive mechanisms in the Argentine health insurance system. Article 7 of decree 504 established that after switching social health insurance, the complete employer and worker contributions had to be transferred to the newly elected insurance. Article 11 defined that the newly elected social health insurance was only obliged to offer the legislated minimum coverage⁵⁶ to workers switching from other insurances. They were therefore not obliged to offer switching workers the same coverage as to their original members. Under these circumstances, social health insurances were able to offer workers coming from other occupational groups medical coverage according to the height of their health insurance contributions. This created enormous incentives to change social health insurance for high income earners in occupational groups with low average wage. At the same time, low earners had nothing to win. As a consequence of this, social health insurances of occupational groups with low average wages lost their “best” contributors, which further increased inequalities between health insurances and income groups. (Lloyd-Sherlock 2005: 1900) This has to be seen in a context where inequalities between social health insurances had already been enormous. In 1994, the average monthly social health insurance revenue per beneficiary varied from 5 to 80 Dollars, depending on the occupational group.(Lloyd-Sherlock 2006: 357)

Although members were formally not allowed to switch to private insurers, many social health insurances started to contract out their administration to private enterprises, and served thereby as “forefront” of a gradual process of de facto privatisation in the sector.(Lloyd-Sherlock 2006: 359) According to the newspaper El Clarín(24th of April 2003), most workers who switched social health insurance between 1998 and 2003 were over-proportionally young and well

⁵⁶ The minimum coverage is fixed through the so called “Obligatory Medical Plan”(Plan Médico Obligatorio/PMO), which had been introduced in 1995.

earning, and most of them switched to social health insurances that were associated with private insurers.

In 1998, the ANSSAL was replaced by the so called “Superintendencia de Servicios de Salud”, which was supposed to improve the functioning of the entity as a control mechanism, instead of being merely a (re-)distributor of funds, which had increasingly become the image of the ANSSAL.(Alonso 2000: 23) Despite this, Peter Lloyd-Sherlock(2005: 1899) asserts that accountability and regulation improved little through the reforms of the 1990s, and that the fragmentation of the system was rather exacerbated than reduced.

Besides the introduction of market mechanisms, the government pursued a reduction of employer contributions. These were reduced from 6 % to 5 % in 1995, which severely challenged the financial sustainability of the system.(Lloyd-Sherlock 2006: 358)

The same decree, on the other hand, converted social health insurances with mixed administration(trade union/employer/state), such as for example those for teachers, bank and railway workers, into pure trade union social health insurances. It also created a so called “Obligatory Medical Plan”(Plan Médico Obligatorio/PMO), which required that any social health insurance would have to cover a certain minimum catalogue of treatments. To secure the financial viability of the “Obligatory Medical Plan” for social health insurances of occupational groups with low average wages, the decree guaranteed a certain minimum revenue to all OO.SS. via the redistribution of funds through the ANSSAL.(Lo Vuolo 1998b 232) This was potentially putting limits to the rise of inequalities within the social health insurance sector. Yet, the minister of health himself admitted that the social health insurances were in practice able to flout the terms of this package.(Lloyd-Sherlock 2006: 359)

In general terms, the trend towards liberalising the health insurance sector constituted an adaptation to the market demand of affluent clients.(Lo Vuolo 1998b: 233) In consequence, protection against health risks became increasingly stratified through the market, weakening thereby the occupational group specific stratification typical for corporatist welfare states. While before, redistributive mechanisms played a limited role within the health insurance of each occupational group, the reforms of the 1990s further minimized the already small solidarity component in the system. In this sense, the reforms exacerbated the negative impacts of the steep increase of income inequalities on the health care system.

In June 2000, the coalition government under Fernando De la Rúa started a renewed attempt to allow the direct competition between social health insurance funds and private insurers. However, opposition from the trade unions and social health insurances led to the suspension of the decree in March 2001.(Alonso 2007: 159)

The economic crisis at the turn of the millennium had disastrous impacts on the finances of the social health insurances. For the reason that contributions to the system are calculated as a percentage of the wage, the dramatic fall of real wages resulted in an equally dramatic fall of social health insurance revenue.(See figure 11 in 2.1.) In March 2002, employer contributions to the health insurance system were raised from 5 % to 6 % again.(La Nación 17th of November 2002) Simultaneously, to reduce the costs of the social health insurances, the provisional government of Eduardo Duhalde replaced the “Obligatory Medical Plan” (PMO) by an “Emergency Obligatory Medical Plan”, which contained a revised and reduced catalogue of obligatorily covered treatments and remedies.(La Nación 15th of February 2002) Although new treatments were incorporated from time to time(Cohen 2009: 60), the validity of the reduced emergency PMO has been extended through various decrees⁵⁷ and a law⁵⁸, so that it is still valid at the time of writing this text.

During 2002, the government initiated a programme called “REMEDIAR”, which aimed at providing free access to basic remedies for the poor population through the nationwide over 6500 so called “Centres for Primary Health Attention”(Centros de Atención Primaria de Salud/CAPS). The programme was initially financed through credits from the Inter-American Development Bank(IADB).(Tobar 2004: 14) In 2004, the posterior government of Néstor Kirchner announced the implementation of a so called “Federal Health Programme”(Plan Federal de Salud). The programme aspired an improvement of public health sector efficiency by countervailing the heavy curative bias of the system. Among others this was intended through a strengthening of the CAPS in the areas of preventive medicine and health problems of lower complexity.(Cohen 2009: 30)

Figure 31 shows that per covered person expenditure indeed rose quicker for those covered by the public system than for those covered by the social health insurance system between 2004 and 2008. This led to a slight reduction of the breach. However, the main reason for this was that the expenditure on the state run social health insurance for pensioners was increased much slower than the expenditure on the public health sector and the semi-public health insurances for the economically active population and their families.(DAGPyPS 2010) The same figure shows that health expenditure per person has generally increased significantly, which can be attributed to a big part to the economic growth, the recuperation of wages and the reduction of the population without health insurance coverage.

⁵⁷ Decree 2724 (2002), Decree 1210 (2003), Decree 756 (2004)

⁵⁸ Law N° 25972 (2004)

According to Cohen(2009: 74), the inequalities between social health insurances have decreased since the peak of the crisis in 2001/2002, but at the same time, the inequalities within the health insurances increased, as the deregulation allowed them to offer different coverage packages to their members according to their income.

Overall, in the aftermath of the economic crisis, health policies have neither continued the line of the governments of the 1990s, which aggravated the effects of labour market deterioration, nor did they reverse these policies. The inequity and the inefficient fragmentation have largely been preserved.

In a comparison of Daniel Maceira(2009: 3), on the basis of data from the World Health Organisation referring to the year 2004, Argentina had the fourth highest per capita health expenditure out of 18 middle-to-high income countries, while it only ranked fourteenth with regard to child mortality. Although the relatively high child mortality of Argentina can for sure be related to various factors, Peter Lloyd-Sherlock(2005: 1894) emphasises that the inequity and inefficiency of the Argentinean health care system contributes significantly to this number.

The general trend in health policies since 1975 went towards aggravating the expectable negative impacts of labour market deterioration. This is especially true for the structural changes that have been introduced by the military dictatorship(1976 – 1983) and the neoliberal governments of the 1990s, namely the priority shift towards the insurance principle and the reduction of solidarity elements within the insurance system. The decentralisation of the public health sector has moreover aggravated regional disparities in health care.(Cetrángolo/Gatto 2002: 39) All these changes have to be seen on the background that already the previously existing system was little prepared for the transformations that hit the Argentinean labour market from the mid 1970s on. The government of Raúl Alfonsín attempted a progressive reorganisation of the system, but was not able to implement its project. Since the peak of the economic crisis in 2001/2002, health policies have not undertaken bigger attempts to reform the system.

Health policies can therefore be said not only to have failed to adapt to the changing social situation, but to have even exacerbated the adverse effects of these changes with regard to health care.

c) Family policies

The evolution of the Argentinean labour market since 1975 posed several challenges for family policy reform. Between 1980 and 2010, female labour market participation increased from 27.4 % to 44.9 % of the economically active population.(see figure 15 in 2.1.) At the same time, according to La Nación(7th of December 2003), the share of single parent households

increased from 9.4 % in 1980 to 16.1 % in 1999. These developments induced a rising demand for the provision of care for children, elderly and disabled persons in order to enable parents to combine labour market participation with family. The evolution also required reform regarding labour market regulations, so that job protection, income maintenance, and periods of leave would be more adequate with regard to the compatibility of labour market participation and care responsibilities. The promotion of gender equality would thereby be a central aspect.

Taking the increasing income inequalities and the deterioration of average wage levels after 1975 into account, family policies were also required to increase redistributive efforts, if having children was not to become a poverty trigger for households.(see figures 11, 13 and 14 in 2.1.) In 1980, household sizes did not differ significantly between income groups. While households of the poorest income quintile consisted in average of 3.6 members, the corresponding number was 3.2 for the richest income quintile. However, since then numerous households became increasingly concentrated within the lower income groups. In the second semester of 2009, the average household size was 4.3 for the poorest quintile and only 2.5 for the richest.(SEDLAC database) According to the 1997 “Social Development Survey”(Siempro 2000: 19) 43.1 % of the poorest quintile were 14 years old or younger, while this number was only 12.9 % for the richest quintile.

Family policies in Argentina mainly consist in cash transfers to families and have arguably neglected the provision of services, such as child care institutions, which would facilitate the labour market participation of parents in general, and women in particular. This bias towards family allowances in detriment of services is common to most so called corporatist welfare states, and especially strong in the Southern European cases⁵⁹.

There are several types of family allowances that aim at supporting the economic well-being of families.⁶⁰ All benefits enumerated in footnote 60 had already been introduced before 1975. (Rofman/Grushka/Chebez 2001: 6) Besides the monthly cash transfers for each child under 18

⁵⁹ We will later come back to these concepts with a short description of the corporatist welfare state regime and the southern European welfare states.

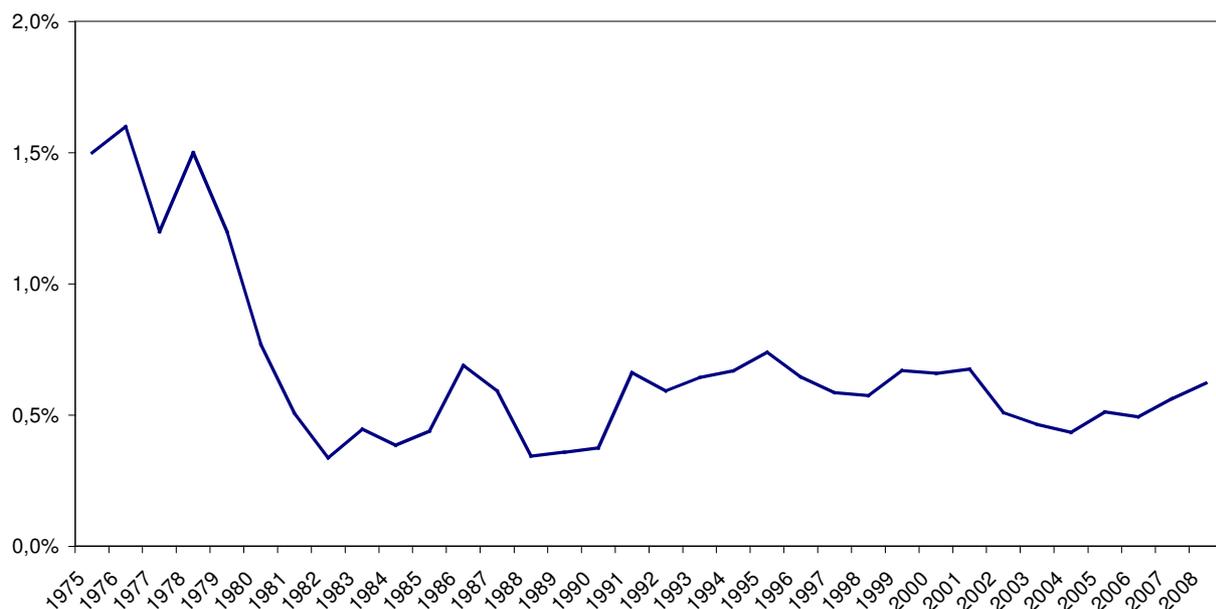
⁶⁰ According to decree 1388/2010 there currently(10/2010) exist family allowances for:

- Each child under 18 years, a monthly payment of 220 Pesos for those who earn up to 2400 Pesos per month, 166 Pesos for those who earn up to 3600 Pesos, and 111 Pesos for those who earn up to 4800 Pesos
- Each disabled child (without age limit), a monthly payment of 880 Pesos for those who earn up to 2400 Pesos per month, 660 Pesos for those who earn up to 3600 Pesos, and 440 Pesos for those who earn more
- Maternity, replacing the full wage during three months
- Birth, a single payment of 600 Pesos
- Adoption, a single payment of 3600 Pesos
- Marriage, a single payment of 900 Pesos

years, female workers have the right to 90 days of maternity leave per child, during which the family allowance system assumes the payment of the former wage. The period can be prolonged by six months without wage replacement. For the period of leave, labour market regulations guarantee the possibility of returning into the previous work position. (Rodríguez Enríquez 2007: 29) The family allowance system is financed through a payroll tax on the wage, which is paid by the employer. Until very recently it applied only to salaried workers and pensioners of the formal sector.

The insurance-like system was organized in three different funds for service, industry and state workers. Theoretically, the administration of the system was shared between employer and labour representatives, but most of the time since its existence it had been intervened by the state. (Barbeito/Lo Vuolo 1998: 172/173)

Figure 32: Evolution of the expenditure on family allowances as a percentage of the GDP



Elaborated by the author. Sources: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008.

- Pregnancy, a monthly payment of 220 Pesos for those who earn up to 2400 Pesos per month, 166 Pesos for those who earn up to 3600 Pesos, and 111 Pesos for those who earn up to 4800 Pesos
- Each child at school, an annual payment of 170 Pesos for those who earn less up to 4800 Pesos a month
- Each disabled child at school, an annual payment of 170 Pesos

1 Euro = 5.52 Pesos / 1 Dollar = 3.95 Pesos (13th of October 2010)

As can be seen in figure 32, the military government radically cut down expenditure on family allowances. While in 1976 expenditure constituted 1.6 % of the GDP, it was only 0.45 % when the junta lost power in 1983, which resembles a reduction of 72 %. Despite the steep fall of expenditure, contribution levels remained at 12 % of the wage. It had been quite common in the history of family allowance funds, that part of their revenue was spent on other areas of social security or public policy.(Rofman/Grushka/Chebez 2001: 8/9) The reduction of family allowance expenditure after 1976 can partly be explained through transferences of this kind. Furthermore, the drastic reduction of wages during the military government reduced the revenue of the family allowance funds. From 1981 on, the funds also had to pay family allowances of retired state employees, which had formerly been paid directly from the government's budget. These measures implied an increase of outgoings, while the funds' revenue tended to fall.(Barbeito/Lo Vuolo 1998: 173)

During the democratic government of Raúl Alfonsín, family allowance expenditure stopped decreasing but did not recuperate the reduction of the preceding period. The level of expenditure was basically the same when the government was voted out of office in 1989, as it had been when it took over in 1983.(see figure 32) In 1985, three percentage points of the employer contributions destined to the family allowance funds were permanently transferred to finance the pension system.(Barbeito/Lo Vuolo 1998: 162) Considering that already before money from these funds had been used for other purposes, and that this measure did not affect the expenditure shown in figure 32, it seems that the measure was more a consolidation of already informally applied transferences than anything new. According to Rubén Lo Vuolo and Alberto Barbeito(1998: 174), the real value of family allowance benefits fell by approximately 80 % between 1970 and 1988.

Under the succeeding government of Carlos Menem, spending recuperated very slightly with the stabilisation of prices in the early 1990s, but afterwards remained stable on a low level until the economic collapse of 2001/2002.(see figure 32) In 1991, decree 2284/91 eliminated the three family allowance funds and unified the administration of family allowances under the control of the ministry of labour and social security(MTySS).(Lo Vuolo 1998b: 234) With the "National Employment Law"(Ley Nacional de Empleo) of 1991, further 1.5 % points of employer contributions destined to finance family allowances were permanently transferred to another programme, the so called "National Employment Fund"(Fondo Nacional de Empleo), which among others financed the new unemployment insurance. The reiterated reductions of the contributions to the family allowance system consolidated the persistent deterioration of the value of their benefits.(Lo Vuolo 1998b: 234) Yet, also the transference of 1.5 percentage points

in 1991 was nothing new, but rather consolidated legally what had already been practice since 1985, as the unemployment benefit implemented that year by the Alfonsín government had also been financed by the family allowance funds.(Chebez/Salvia 2001: 6)

In 1996 several changes to the family allowance system were implemented. Pensioners were transferred to a separate non-contributory family allowance system. Most of the family benefits were graduated inversely to the wage level of the respective recipient. Wage earners with incomes above a certain threshold were excluded from most family allowance benefits. However, per child⁶¹ a certain amount was exempted from the yearly income tax base of those who had earnings above this threshold. For all other salaried workers of the formal sector, three benefit levels have been introduced that were inversely related to the wage level.(Lo Vuolo 1998b: 234) Despite the progressive graduation of the main family benefits, the core problem of the system persisted. It continued to exclude informal and unemployed workers⁶², and hence most poor families. According to the “Life Quality Survey”(Encuesta de Calidad de Vida) from 2001, only 31.2 % of all Argentines under the age of 18 were receiving child allowances that year, and only 4.7 % of children living in extreme poverty.(Salvador 2007: 24)

Family allowance expenditure fell again in the aftermath of the deep crisis of 2001/2002, and began recently to recuperate slightly from 2005 on. In 2009 the government of Christina Fernández de Kirchner extended child allowance coverage to unemployed and informal workers. This can be considered as an important progress. Yet, this measure will be discussed in the following chapter about social assistance policies, as the government implemented it mainly as an anti-poverty measure and not as a family policy. The programme replaces anterior assistance policies and the extension of the family allowance system is restricted to the child allowance benefits, which means, among others, that most poor mothers continue without access to maternity leave.

The availability of data regarding care provision coverage and expenditure is still very limited, at least for the first twenty years of our analysis(1975 – 1995). However, the available information is sufficient to show the most important trends.

Although two laws previous to 1975 required the provision of child care services from firms with more than 50 female workers and established rules for the introduction of child care centres

⁶¹ 6000 Pesos in October 2010, www.afip.gov.ar

⁶² Unemployed workers receiving unemployment insurance benefits also received family allowance benefits. Nevertheless, as will be shown in the following chapter, only about 5 % of the unemployed were covered by the unemployment insurance.

in municipalities, these laws have not been regulated until today and have therefore not been applied in practice.(Salvador 2007: 13)

Public child care provision has been largely neglected in Argentina, and there has not been a significant trend towards improving this situation, as surveys from the mid 1990s and mid 2000s show. Child care institutions for children up to two years are still today very uncommon in Argentina.(Salvador 2007: 13) For children aged three and four years public child care coverage is very low. According to the “Social Development Survey”(Siempro 2000) from 1997, only 18.7 % of all Argentinean children aged three and four attended a public child care institution that year. This implies that the provision of child care services for 81.3 % of all children at that age was provided either through the market, mainly private child care institutions and child minders, or the family, respectively its social networks. The survey also shows that the public provision of child care services had a considerable lower coverage for the poorest 20 % of the population than for the richest 20 %. Yet, the disadvantage in the access to child care provision experienced by the poor was even much bigger regarding market provided childcare. According to the survey, 58.4 % percent of the children of the richest income quintile attended a private child care institution, while the corresponding number was only 6.3 % for the poorest quintile. In 1997, combined public and private child care coverage for children at the age of three and four was only 22.4 % for the poorest quintile, while it was 49.3 % for the third quintile and 83.7 for the richest quintile.(Siempro 2000: 41) The average child care coverage(public and private) for all children aged three and four was 36.4 % in 1997 and increased only very slightly to 39.1 % in 2007.(Salvador 2007: 16, Siempro 2000: 41) The inequalities between income groups regarding child care access have not been reduced between 1997 and 2007.(Salvador 2007: 18/19) According to María Vargas de Flood(2006: 156), coverage for children aged five years and older increased significantly during the 1990s due to the introduction of an obligatory school-preparatory kindergarten year. The policies that led to this increase were, however, less concerned about facilitating female labour market participation than about improving the poor educational indicators of the country. In 2007, the average child care coverage rate for five year old children was 78.8 %.(Salvador 2007: 16)

Care for disabled persons and the elderly is partly provided through the health system. Yet, the quality and the type of the coverage depends decisively on the financial resources of the respective family, which implies that in lower income groups the family has to provide the biggest part of care work.(Sanchís 2007: 32)

Also school attendance does not facilitate the combination of work and family too much, as shifts are usually half day only in public schools, and the access to private all-day schools is

restricted, especially for low income groups.(Salvador 2007: 48) In 2005, only 5.4 % of all pupils attending public primary schools had all-day shifts.(Sanchís 2007: 12)

In the context of a reduced role of the state in this sector, poor households had very little access to care provision other than their own family or social network. Better off households, in contrast, were more likely to be able to contract care services from the market. In a society with extraordinarily high levels of inequality, this led in practice to the quite common paradox that lower class mothers had to leave their own children while caring for the children(or elderly family members) of those who were able to pay for care provision.(Rodríguez Enríquez 2007: 44) In general, the inequity in access to care provision clearly limits poor mother's ability to participate in the labour market. This is reflected in their considerably lower rates of economic activity. In 2006, only about 45 % of the women of the poorest income quintile aged 15 to 64 years had or were looking for paid work, while the corresponding number was 70 % for the richest quintile.(Rodríguez Enríquez 2007: 53) This, in turn, aggravated the income situation of poor households, and created thereby a kind of vicious cycle.

Looking at the period as a whole, it can be said that family policies received very low priority after 1975. The reduction of family allowance expenditure, and hence of the benefit levels, during the military government has not been reversed by any of the following democratic governments until 2009. The long-standing deterioration of family allowance benefit levels implied the virtual dismantlement of a redistributive mechanism within the group of formal salaried workers. Not only did this mechanism redistribute resources from childless workers to those with children, it also redistributed resources from better off families to poorer ones, as the latter have averagely more children. The progressive graduation of the benefits in 1996 slightly increased the redistributive character of the system, but the overall amount of resources spent on it remained very low. If we consider that the process of labour market deterioration after 1975 led to a dramatic rise of income inequalities, and that bigger families were strongly over-represented among the losers of this process, the reduction of family allowance expenditure clearly aggravated the situation. Also, increasing parts of the society, and in particularly of the poor, were denied access to family allowances due to the rise of informality and unemployment. This has changed in late 2009. However, as has been said before, the 2009 measure will be discussed with more detail in the following chapter.

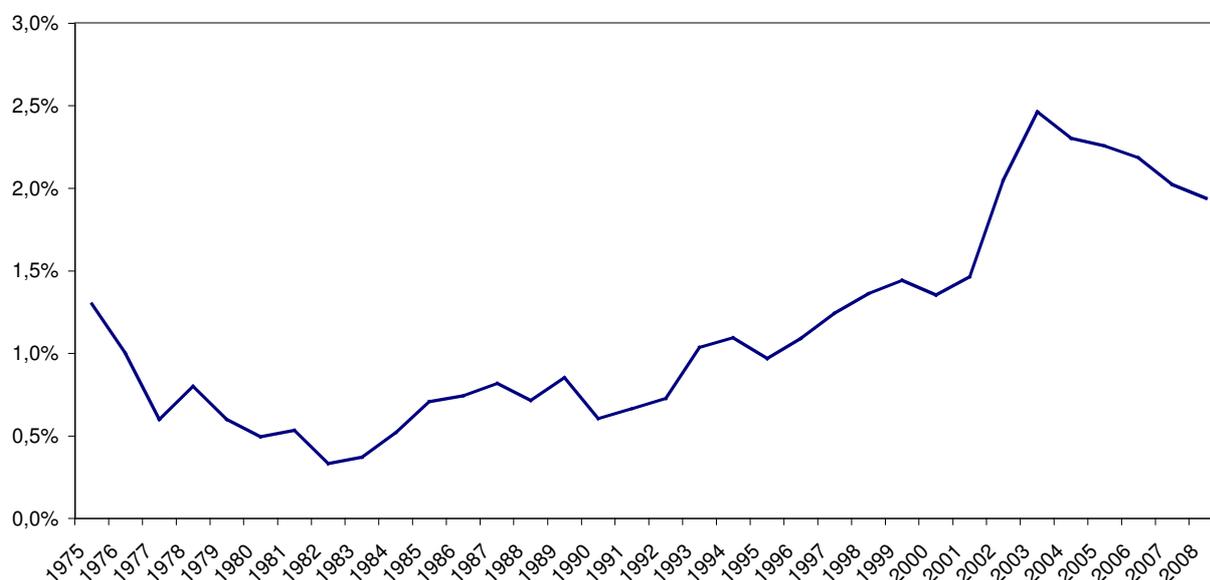
Family policies can also hardly be said to have responded adequately to the increasing female labour market participation. Paid work and family are still very hard to combine, especially for poor parents. I have no data about child care coverage for the years prior to 1997, but in that year coverage was very low and poor families were strongly disadvantaged regarding the access to

both public and private care provision. Also the access to care provision for disabled or elderly family members depended strongly on the wealth of the respective family. During the following ten years, this situation did virtually not improve. In face of the restricted access to child care in general, and the virtual absence of child care provision for children up to two years in particular, 90 days of maternity leave are far from solving the problem. Furthermore, maternity leave is only available for salaried workers of the formal sector and therefore excludes most poor working women. There have been little attempts to improve and promote the participation of men in child care. There is, for example, still no parental leave scheme for fathers. The incompatibility of work and family implies in practice a discrimination against women, as well as against the poor, who are deprived of an important source of income.

d) Social assistance policies and unemployment protection

In the introduction and in chapter 2.1. I have argued that the expansion of unemployment and precarious employment has been the main trigger of the rise in poverty rates. Social assistance and unemployment protection are those social policies, that have the specific purpose to protect against these social risks. Therefore they occupy a central role in this analyses of welfare state adaptation.

Figure 33: Expenditure on social assistance, employment programmes and unemployment insurance as percentage of the GDP



Elaborated by the author. Sources: Vargas de Flood(2006: 188) for the years 1975 – 1979 and DAGPyPS(2010) for the years 1980 – 2008.

Figure 33 shows that spending on social assistance and unemployment protection is significantly lower than the expenditure on pensions or health care. Taking into account that poverty has been affecting more than 25 % of the Argentinean population since 1995, and even over 50 % in 2002(see figure 1 in introduction), and that unemployment between 1995 and 2009 affected in average 13.8 % of the economically active population(see figure 5 in 2.1.), spending on social assistance and unemployment protection is very low. Between 1975 and 2008, spending as a share of the GDP rose by approximately 50 %. Yet, the share of poor persons increased by about 350 %(see figure 1 in introduction) and the share of unemployed persons increased by 116 %(see figure 5 in 2.1.) during the same period. This shows that the increasing effort that has been undertaken in unemployment and social assistance policies clearly lacked behind the rise in poverty and unemployment. The welfare state effort per poor or unemployed person fell, despite the overall spending increase shown in figure 33. On the other side, the increasing share of the GDP directed towards these policies also shows that the governments' social policies have not completely ignored the evolution of the labour market nor the rise in poverty. Figure 33 indicates that spending trends in assistance and unemployment policies differ

mainly between the military dictatorship(1976 – 1983) and the democratic governments afterwards.

As has been done in the chapters before, we will start with a short description of these policies during the mid seventies as point of departure.

Historically, social assistance policies and unemployment protection have always been of residual character in Argentina. They were generally little systematic, weakly organised, and comparatively little resources were destined to these. Big diversity and high discontinuity have been common characteristics. Although they have usually been targeted programmes, the group of beneficiaries has generally been defined very unclearly, which allowed discretionary practices. Income stability for the working age population was principally pursued through commitment for full employment, labour market regulation, centralised wage bargaining, minimum wages and family allowances. From the perspective of this strategy, unemployment was seen as a temporal problem that could be tackled through the regulation of severance payments. The counterpart of this approach was that the Argentinean welfare state, which expanded from the mid 1940s on, neither comprised an unemployment insurance nor significant non-contributory cash transfer schemes for unemployed or poor workers. (Barbeito/Lo Vuolo 1998: 179 – 183, Lo Vuolo 1998b: 240)

Between 1975 and 2010 there has been a multitude of tiny social assistance programmes on different government levels. They are all included in the spending data used in this chapter. However, it is neither possible nor would it make any sense to describe each one of them. Therefore, I will focus on the most important social assistance programmes that have been implemented since 1975, as well as I will describe the general trends that prevailed in assistance and unemployment protection policies during these years. There have also been several small programmes handing out microcredits and subsidies for small productive projects. These are considered in the spending data but will not be described separately. Housing programmes will not be analysed here, and neither will the spending on them be considered. The reason for this is that available spending data is not sufficiently disaggregated to allow me to determine which part of the spent money served for means of poverty alleviation, and which part was actually directed towards facilitating middle classes to buy or construct property. The Argentinean economists and social policy experts Alberto Barbeito and Rubén Lo Vuolo(1998: 174) assert that neither the subsidised credits of the Banco Hipotecario Nacional, nor the construction programmes of the National Housing Fund(Fondo Nacional de la Vivienda/FONAVI) responded to the necessities of the very poor.(Barbeito/Lo Vuolo 1998: 174)

As can be observed in figure 33, the military government radically cut down expenditure on social assistance and unemployment protection. While the preceding democratic government spent about 1.3 % of the GDP for policies of this kind during 1975, the military junta reduced spending to only 0.37 % in 1983. Although the official unemployment rate remained relatively low during these years(see figure 5 in 2.1.), poverty levels were increasing, mainly due to drastically falling wages.(see figure 1 in introduction and figure 11 in 2.1.)

After the transition to democracy, the UCR government of Raúl Alfonsín partly recovered expenditure on social assistance and unemployment protection. At the end of the presidential term in 1989, expenditure on these policies amounted to about 0.85 % of the GDP, more than twice as much as in 1983, but still considerably less than during 1975.(see figure 33) Yet, during these years, unemployment increased moderately and poverty skyrocketed from 1986 on.(see figure 1 in introduction and figure 5 in 2.1.) The by far biggest social assistance programme of the 1980s was the so called “National Alimentary Programme”(Plan Alimentario Nacional/PAN). It was introduced in 1984 and consisted in the monthly repartition of approximately 1 million boxes with food to poor families.(Barbeito/Lo Vuolo 1998: 130, Vargas de Flood 2006: 151) The programme has been accused of serving clientelistic practices due to the lack of clear criteria and the discretionary selection of beneficiaries.⁶³(Barbeito/Lo Vuolo 1998: 180/181) Although the number of distributed boxes increased from about 900,000(which came close to cover 100% of the poor population) in 1984 to 1,400,000 in the following years, the coverage of the poor population declined, due to the sharp increase in the incidence of poverty.(Barbeito/Lo Vuolo 1998: 180) As has been the case with most social programmes in Argentina, expenditure on the PAN was pro-cyclical in the short run.(Barbeito/Lo Vuolo 1998: 181)

In 1985 a kind of unemployment allowance was introduced. The benefit was paid out by the family allowance funds of the private sector and consisted in the monthly payment of a subsidy of 70 % of the minimum wage plus family allowance benefits. The receipt of the unemployment benefit required having been salaried worker in the formal sector for at least nine months previous to the loss of employment. The maximum duration of the benefit was limited to only four months. The average number of beneficiaries ranged from 56,795 in 1985 to 153,059 in 1989. If we compare these numbers with the numbers of unemployed persons, we see that the coverage has been very low, but significantly higher than the coverage of the unemployment insurance implemented by the Menem government in 1991. The benefit covered 9.1 % of the

⁶³ In 2003, Aldo Neri, minister of health of the Alfonsín administration, admitted openly to the newspaper *La Nación*(15th of June 2003), that clientelism played a certain role in the execution of the programme.

unemployed in 1986 and 17.1 % in 1989. In 1990 the benefit was eliminated by the Menem government.(Chebez/Salvia 2001: 6)

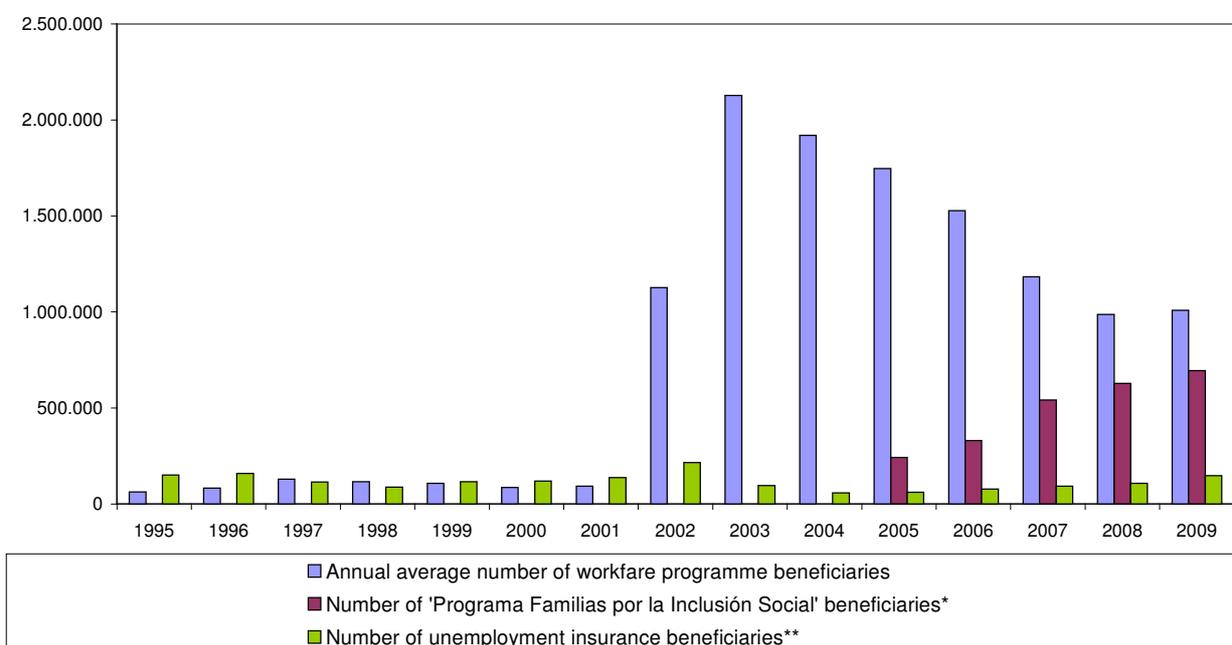
Generally, the Alfonsín government increased spending on social assistance policies, but the increase was clearly insufficient with regard to the rapidly deteriorating social situation. The implemented policies focussed on the distribution of goods, and income transfer programmes only played a subordinated role during the 1980s.

As has been very common for Argentinean social assistance and unemployment protection policies, the newly elected peronist(PJ) government under Carlos Menem suspended most of the programmes of the anterior government in 1989 and tried to replace them by new structures. Yet, the replacement of the PAN through a programme of so called “Solidarity Vouchers”(Bonos Solidarios) in the middle of the hyperinflation crisis proved being problematic. In contrast to the PAN, the new programme did not distribute food but some kind of quasi monetary food-vouchers, which rapidly lost value in the context of hyperinflation. The coverage of the programme also resulted being significantly lower than that of the PAN. These two factors may explain the initial reduction of social assistance expenditure at the beginning of the Menem government.(see figure 33) However, an important constant was that the selection of the beneficiaries continued to be discretionary, providing large spaces for clientelistic mechanisms and political co-optation strategies.(Lo Vuolo 1998b: 237)

From 1991 on, the government of Carlos Menem expanded expenditure on social assistance and unemployment protection measures. In that year, the “National Employment Law”(Ley Nacional de Empleo) created the so called “National Employment Fund”(Fondo Nacional de Empleo). The fund was financed through the reassignment of 1.5 % points of employer contributions, hitherto destined to finance family allowances, and served to finance the introduction of an unemployment insurance and several smaller transitory employment and training programmes. However, due to the strict eligibility criteria, the coverage of the unemployed population was minimal and benefits were both extraordinarily low and restricted to a short period.(Lo Vuolo 1998b: 206/240/241) In 1995 and 2002, when the average annual unemployment rate reached values of 17.5 % and 19.7 % respectively, spending on unemployment insurance only amounted to about 0.2 % of the GDP.(INDEC Database, Vargas de Flood 2006: 189) In December of 2002, 156,273 persons received benefits from the unemployment insurance, while during that year averagely 3,121,966 had been unemployed. This means that only around 5 % of the unemployed were covered by the unemployment insurance. Furthermore, the average benefit of 190 Pesos in December 2002 can be considered very low.(INDEC database, MTEySS/SSS 2010: 41)

Parallel to the introduction of a contributory unemployment insurance, the government started in the early 1990s, with the financial and technical support of the several International Financial Institutions, a multitude of small and fragmented social assistance programmes. In 1995 there were over 60 different programmes of this kind.(Lo Vuolo 1998b: 238) Nevertheless, they only captured very little resources. In 1995, spending on unemployment insurance, social assistance and employment programmes constituted together only 0.96 % of the GDP.(DAGPyS 2010) The low proportion of resources spent on these programmes, despite high rates of poverty and unemployment, can be related to two reasons. First of all, they covered only a very small part of the poor as well as of the unemployed population.(see figure 34) And secondly, the benefits were very low, meaning that the benefits alone did not even cover the basic alimentary needs of the recipients, not to mention the general basic needs which include housing and so on. (see figures 35 and 36)

Figure 34: Number of unemployment insurance and social assistance beneficiaries



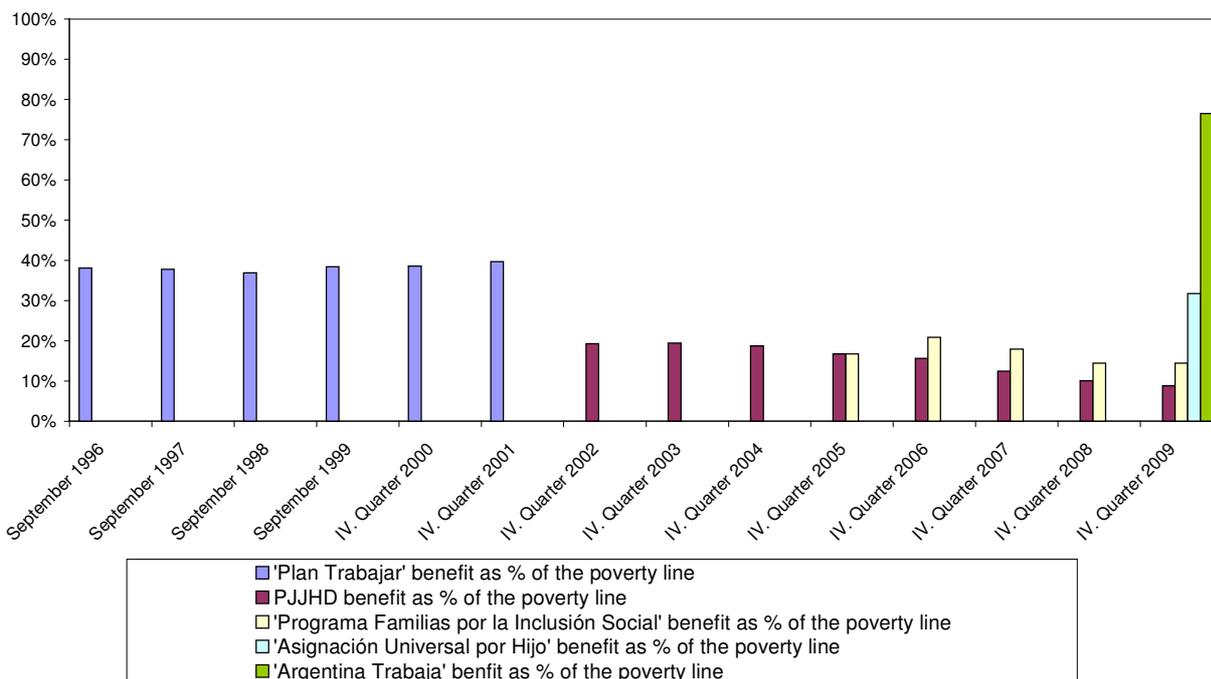
**Numbers are from December of each year for 2005 - 2008 and from September for 2009.*

*** Numbers are annual averages for 1995 -1997 and from June of each year afterwards.*

Elaborated by the author. Sources: For the number of unemployment insurance beneficiaries: own calculations on the basis of data from Velásquez Pinto(2005: 51) and INDEC database for 1995 – 1997 and MTEySS/SSS(2010: 41) afterwards. For the number of beneficiaries of workfare programmes: Golbert (2004: 22) for 1995 - 2001 and MTEySS/SE(2009) afterwards. For the number of beneficiaries of the “Programa Familias por la Inclusión Social”: Web page of the Ministry of Social Development,

<http://www.desarrollosocial.gov.ar/Planes/PF/resena.asp> (15th of November 2010)

Figure 35: The benefits of social assistance programmes as % of the poverty line*, for a family of two parents(30,30) and three children(5,3,1)

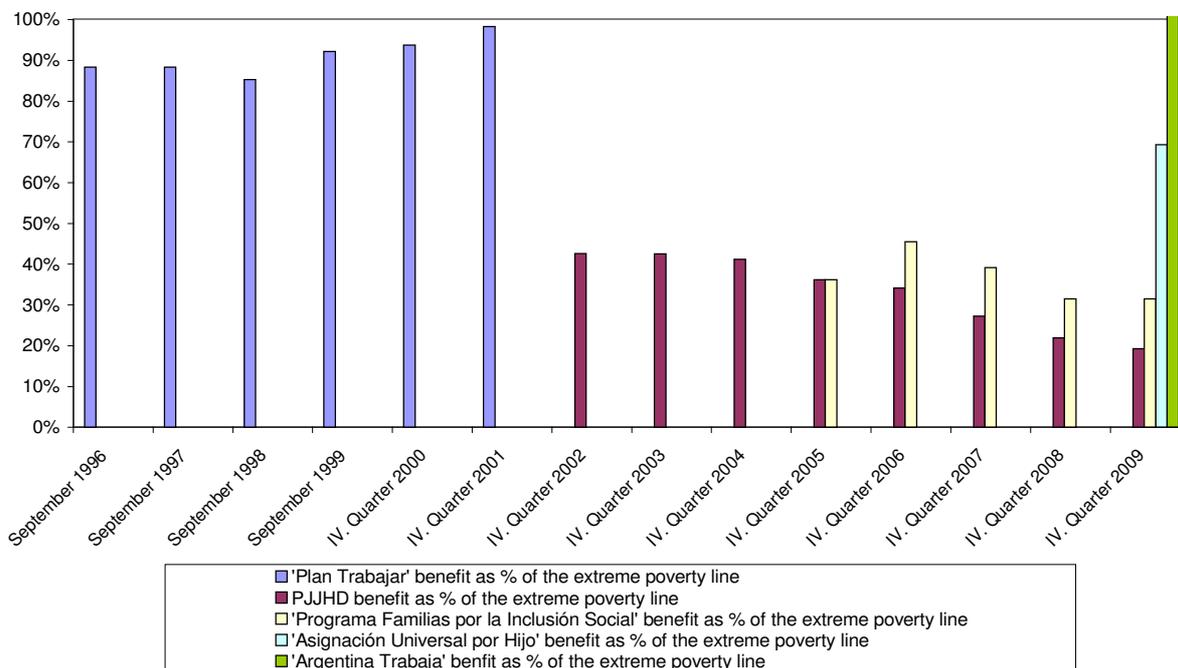


* The poverty line marks the minimum income necessary to satisfy the basic needs.

Elaborated by the author. Sources: For poverty line: INDEC database for 1996 – 2005 and Leonardo Gasparini⁶⁴ for 2006 – 2009. For the benefit levels: Bertranou/Paz (2007: 117) for 'Plan Trabajar'. Decree 565/02 for PJJHD. Resolutions MDS 648/06, MDS 693/07 and MDS 287/09 for 'Programa Familias por la Inclusión Social'. Gasparini/Cruces(2010: 15) for 'Asignación Universal por Hijo'.

⁶⁴ Due to the political intervention of the national statistics institute (INDEC), information regarding the poverty lines is not reliable anymore from 2006 on. Leonardo Gasparini has kindly provided me with alternative data regarding the poverty lines between 2006 and 2009. He is professor of the University La Plata and director of the CEDLAS institute.

Figure 36: The benefits of social assistance programmes as % of the extreme poverty line*, for a family of two parents(30,30) and three children(5,3,1)



* The extreme poverty line marks the minimum income necessary to satisfy the basic alimentary needs.

Elaborated by the author. Sources: Same as for figure 35.

So called employment(workfare) programmes became the centrepiece of social assistance policies during the 1990s and the early 2000s. Despite their work component, these programmes were usually categorised as income transfer programmes.(Barbeito/Lo Vuolo 2003: 10, Gasparini/Cruces 2010: 13) They consisted in hiring unemployed workers for jobs considered of public interest. The unemployed received in exchange monthly non-wage payments of typically no more than 200 Pesos.⁶⁵ Between 1992 and 1996, the Ministry of Labour and Social Security implemented over ten such programmes, which, in their majority, had only a duration of up to two years.(Lo Vuolo 1998b: 241)

The biggest and most famous programmes of this kind were the three consecutive versions of the so called “Work Programme”(Plan Trabajar), which were co-financed by the World Bank. The first version of the programme was implemented in late 1995 and consisted in contracting unemployed workers below the poverty-line for daily 6 hours of municipal work in exchange of a monthly non-wage payment of 200 Pesos. The receipt of the “benefit” was limited to a maximum duration of six month.(Vargas de Flood 2006: 158) During 1997 the annual average

⁶⁵ During the 1990s the peso was pegged to the dollar, so that 200 pesos equalled 200 dollars. However, due to the overvaluation of the peso, the purchasing power of 200 pesos was very limited. Hence, these non-wage payments can be considered very low and constituted only a small fraction of the average wage in the formal sector.

number of beneficiaries of the “Work Programme” reached its peak with about 103,000. It was by far the most extensive employment programme during the 1990s, however only covering a very small proportion of the poor and the unemployed.(Golbert 2004: 22)

Training programmes during the 1990s, where they existed, provided only simple training, which is why they did usually not result in significant improvements of the respective unemployed workers’ labour market situation.(Lo Vuolo 1998b: 243)

During the PJ government of Carlos Menem expenditure on social assistance and unemployment protection increased by about 69 %, from 0.85 % in 1989 to 1.44 % of the GDP in 1999.(see figure 33) Yet, unemployment increased by 86 %(see figure 5 in 2.1.), and although poverty was lower than during the peak of the hyperinflation crisis in 1989, it was persistently on the increase in the medium and long run. The novelty of the 1990s was the introduction of income transfer programmes. However, the benefits were very low and covered only a small proportion of the needy, therefore being far from constituting genuine social rights.(See figures 34 – 36)

Under the short coalition government(UCR and FREPASO) of President Fernando De la Rúa expenditure on social assistance and unemployment protection stagnated despite the increasingly rapid rise in poverty and unemployment rates.(see figure 1 in introduction and figure 5 in 2.1.) The government reduced the number of beneficiaries from the inherited “Work Programme” by over a half. Simultaneously it introduced its own programme with a very similar design, called “Labour Emergency Programme”(Programa de Emergencia Laboral), which was partly financed by credits of the IADB and the World Bank.(Golbert 2004: 22, El Clarín 12th of January 2000)

In December of 2001 president De la Rúa had to resign in the middle of a deep economic, social and political crisis. Less than one month later, in January 2002, the provisional government of Eduardo Duhalde(PJ) implemented a first version of the so called “Programme for Unemployed Heads of Household”(Plan Jefes y Jefas de Hogar Desocupados/PJJHD) as a response to the dramatic social and political consequences of the crisis⁶⁶.(Neffa 2009: 67) A second version of the programme was decreed only a few months later. It consisted in a income transfer of 150 Pesos per month, and covered over 2 million families at its peak.(Rodríguez Enríquez/Reyes 2006: 16/17) The most important difference to anterior non-contributory income transfer programmes was therefore the relatively high coverage.(See figure 34) The access to the programme was means-tested, requiring a situation of unemployment and poverty from the beneficiaries, and was only open for households with at least one child under 19 years. In the

⁶⁶ Over half of the population were affected by poverty and between a quarter and one third were even affected by extreme poverty.(INDEC database)

first version the quantity of benefits was limited through a fixed budget. This limitation was later eliminated by the decree 565/02 as a result of negotiations between the government and various organisations of the civil society. However, the rules of the programme still excluded important parts of the poor population, namely those who had precarious work, received some other insufficient benefit, or simply had no child under 19 years of age. The programme contained furthermore conditionality, requiring the school attendance of the children, the compliance with a plan of vaccinations, and the participation of the head of household in a work programme, which usually consisted in 4 to 6 hours of communal work.(Neffa 2008: 81)

As the figures 35 and 36 show, the benefit level was set very low. It was even far from being sufficient to satisfy the basic alimentary needs of an average poor family.(See figure 36) Due to the fact that the amount has not been adjusted during the following years, its real value has been reduced significantly through inflation. While in the last quarter of 2002 it covered 19 % of the poverty line income of the five-member family in figure 35, it passed to cover only 9 % of this line in the last quarter of 2009.

In some municipalities the programme also offered training courses as an alternative to communal work, which, however, had very low impact on the beneficiaries' chances of finding work in the formal labour market.(Rodríguez Enríquez/Reyes 2006: 20)

In contrast to former social assistance programmes, the PJJHD pretended to establish a social right for all families that complied with the requisites.(Article 1, Decree 565/02) The explanatory statement attached to the decree even described the programme as one of universalistic character. The formulation of the decree clearly showed a big progress with regard to former programmes, which had been limited to a certain number of benefits, and had therefore not constituted genuine social rights. This progress very likely reflects the influence of the organisations of the civil society in the elaboration process.(Neffa 2008: 180 – 182) However, the social right character of the programme was rapidly lost. Only one and half month after the start of the programme, an internal resolution of the ministry of labour and social security closed the inscriptions, which implied that posterior to the 17th of May 2002 there has been no way of acceding the benefit, notwithstanding the compliance with all requisites.(Pautassi/Rossi/Campos 2003: 7/15) Therefore, the number of beneficiaries persistently fell from 2003 on. All families that were not able to present the required documentation before this date were denied access, as well as all those who entered unemployment or poverty recently after the closure of the inscriptions. The closure also applied to all those who lost the benefit because they found formal work. This can be seen as quite problematic due to the fact that in average around 50 % of them lost the newly found job again during the first four month. (Rodríguez Enríquez/Reyes 2006: 20) According

to Julio Neffa(2008: 102), after the closure of the inscription the government returned to negotiate the awarding of benefits with organisations of the unemployed, called “piqueteros”, and local politicians, which had to offer political support in exchange. Laura Golbert(2004: 21) estimated that over 20 % of the benefits were allocated through such kind of clientelistic deals. Due to the established eligibility criteria, the conditionality, and the closure of all regular ways of access to the programme, it was far from reaching the self-proclaimed goal of universality. According to a study of Monza y Giancometti(2003), quoted through Neffa(2008: 100), the programme only reached about 25 % of all poor households in 2002, and was also far from covering all unemployed heads of household. Furthermore, the benefit level of the programme was set so low that it hardly affected the poverty and extreme poverty rates. The permanent household survey(Encuesta Permanente de Hogares/EPH) from October 2002 contained a special section for the measurement of the programme’s impact on poverty and extreme poverty. The CELS Institute estimated on the basis of this survey that poverty still affected 57.5 % of the population after the cash transfers of the programme, while it would have affected only 0.6 % percent of the population more without these transfers. The impact on extreme poverty, defined as the inability to cover the basic alimentary needs with the household’s income, has been slightly bigger, but still not very impressive. The cash transfers implied a reduction of the extreme poverty rate from 30.5 % to 27.5 % of the population.(Pautassi/Rossi/Campos 2003: 31/32) However, the impact of the programme on the official unemployment statistics was enormous, as beneficiaries of the plan were not considered unemployed anymore.

Parallel to the PJJHD, the government introduced the so called “National Alimentary Security Programme”(Plan Nacional de Seguridad Alimentaria), which consisted mainly in the provision of food for extremely vulnerable groups.(Vargas de Flood 2006: 167/168) Another programme introduced during 2002 was the “Income for Human Development”(Ingreso para el Desarrollo Humano/IDH), which had a design comparable to that of the PJJHD, yet not requiring communal work. The programme was furthermore stronger targeted and the number of beneficiaries did only reach about 200,000.(Cruces/Epele/Guardia 2008: 22) Like most of the targeted social assistance programmes, also this one received financing from one of the International Financial Institutions, namely from the IADB.(Marchionni/Conconi 2008: 213)

In 2004 the government decided the implementation of the so called “Programme for the Social Inclusion of Families”(Programa Familias por la Inclusión Social). According to the ministry of labour(www.trabajo.gov.ar, 23rd of September 2010) it received financial support from the IADB. The programme had a similar design to that of “Bolsa Escolar” in Brazil or “Oportunidades” in Mexico. Access was restricted to women with children younger than 19

years who had formerly been receiving the PJJHD or the “Income for Human Development” benefit. The programme contained conditionality similar to that of the PJJHD, however not requiring the participation in work programmes.(Zaga Szenker 2009: 4/11) The idea was to separate those beneficiaries of the PJJHD who were considered “employable” from those who were considered not employable due to child care responsibilities.(Campos/Faur/Pautassi 2007: 21) Despite the obvious advantage for the beneficiaries of not having to participate several hours a day in municipal work, the approach can clearly be marked discriminatory from a gender perspective. Instead of enabling women to work through the provision of accessible child care facilities and a strengthening of the fathers’ responsibilities for child care, mothers were simply classified “unemployable”.(Rodríguez Enríquez/Reyes 2006: 28) The established benefits were comparable to those of the PJJHD, yet, they depended on the number of children. A family with two children received 125 pesos per month, families with three children 150, and so on. The maximum benefit was 200 pesos for families with five children or more.(Art. 10, Resolución MDS 825/05)⁶⁷

In 2006 the government implemented a training programme called “Employment and Training Insurance”(Seguro de Capacitación y Empleo/SCyE), which was supposed to attract the beneficiaries of the PJJHD with the supposedly best employability. The programme had not much to do with an insurance, and access was only open for recipients of the PJJHD. The aim was to offer improved training to those with chances of formal labour market integration. However, as the receipt of the benefit was restricted to a maximum of two years, only very few persons switched from the PJJHD to the SCyE.(Rodríguez Enríquez/Reyes 2006: 28/29)

After having been demanded for several years by different organisations of the civil society, politicians and academics, the government decided in 2009 to extend the child allowance system to children of informal and unemployed workers. In October 2009 a governmental decree amended the family allowance law for this purpose. The initiative was called “Universal Child Allowance”(Asignación Universal por Hijo/AUH), although it continued to exclude formal self-employed workers and high earners. Theoretically, informal workers were not allowed to earn more than the minimum wage if they wanted to receive the benefit, yet, this was hardly possible to control. The benefit level established was the same as the child benefit for formal workers of the lowest income group⁶⁸, which was 180 Pesos per month and child at that moment.

⁶⁷ The benefit was increased by 50 pesos on the 1st of March 2006 through Resolución MDS 648/06, maintaining the steps of 25 pesos extra per child up to 5 children. Resolución MDS 693/07 increased the benefit on the 1st of March 2007 by 5 Pesos, also increasing the extra for each child from 25 to 30 Pesos. The extra for each child was again increased, this time to 45 Pesos, on the 1st of March 2009 through Resolución MDS 287/09.

⁶⁸ See next chapter for an explanation of child allowances and income groups.

(Gasparini/Cruces 2010: 15/16) On the 1st of September 2010 the benefit was increased to 220 pesos.(El Clarín 28th of July 2010) The receipt of part of the benefit was tied to the conditionality that the children attended school and complied with a plan of vaccinations.(Gasparini/Cruces 2010: 15/16) The inscription to the programme was not compatible with other social assistance and workfare programmes, which is why it basically replaced former programmes such as the PJJHD and the “Programme for the Social Inclusion of Families”. It can be considered an enormous progress in two senses. Firstly, the coverage is significantly higher than that of anterior social assistance programmes. And secondly, it is the first time that a social assistance policy in Argentina establishes a genuine right. The access to the benefit is for the first time open to all families that fulfil the legally establishes requirements, without any temporal restriction for the inscription or limitations of the total number of benefits. As Leonardo Gasparini and Guillermo Cruces(2010: 36) point out, this restricts the possibility to arbitrarily select the beneficiaries and to award the benefits in exchange for political support. The benefit level is higher compared to earlier assistance programmes, although only for families with several children.(See figures 35 and 36)

On the other hand, the programme still excludes poor households without children under 19 years, which cannot apply for hardly any of the numerous social assistance programmes. It can also be argued that child allowances are in reality a family policy, no matter who receives them, and should therefore not replace social assistance programmes that are particularly targeted at the poor population. So for example, already in 2001 the “National Front against Poverty”(Frente Nacional contra la Pobreza/ FRENAPPO), an alliance of various civil society associations including one of the two big trade union confederations, proposed to combine the introduction of a universal child allowance with that of an unemployment benefit.(Golbert 2004: 24)

The expansion of child allowance coverage was financed through the interests of the nationalised assets from the hitherto private pension scheme. This has been criticised, as the fund was originally supposed to secure the long-term financial sustainability of the pension system. In a context of high inflation the interests are necessary to maintain the real value of the fund, which means that the use of these for the financing of other programmes reduces the real value of the assets. Therefore, in the long run, the programme is financed to a big part through the pension system contributions. Yet, this leads to the situation that high income earners are largely exempted from the financing of the programme due to the contribution assessment ceiling. (Gasparini/Cruces 2010: 36/37)

Also in 2009, the government starts a programme called “Argentina Works”(Argentina Trabaja), which provides jobs in “cooperatives”⁶⁹ with a wage of approximately 1300 Pesos. (Página 12 4th of November 2009) The “benefit”⁷⁰ level constitutes a progress compared to former workfare programmes, as it is significantly higher and includes the affiliation to a social health insurance. The number of benefits was limited to approximately 100,000 , which means that the government was able to decide who received one of those benefits and who did not. The criteria for the selection of beneficiaries have not been clearly stated in the resolution of the ministry of social development that gave birth to the programme.(Resolution MDS N° 3182/09) In contrast to the Universal Child Allowance, the programme was therefore far from constituting a social right and provided plenty of margin for clientelistic practices. Furthermore, like it was the case with earlier workfare programmes, the work done by the beneficiaries is potentially work that would have to be done anyway, which means that it is possible that the programme replaces decent jobs, which would at least require the payment of the minimum wage.(LoVuolo 2010: 7/8/12)

Since the economic crisis at the turn of the millennium a multitude of different social assistance and unemployment protection measures have been implemented. Between 2001 and 2003 the expenditure on these kind of policies was increased by 68 %, from 1.46 % to 2.46 % of the GDP.(See figure 33) Yet, it must be considered that 2002 and 2003 were the years with the strongest social impacts of the economic crisis. Unemployment climbed to a maximum of 21.5 % in May 2002(INDEC database) and poverty skyrocketed, affecting 57.5 % (Pautassi/Rossi/Campos 2003: 31/32) of the population in October of that year. These levels decreased during the following years and also expenditure on social assistance and unemployment protection as a share of the GDP fell by 22 % between 2003 and 2008. The relative expenditure decrease reflects the fact, that despite the introduction of new programmes such as the “Programme for the Social Inclusion of Families” and the so called “Employment and Training Insurance”, the total number of beneficiaries fell, as the access to these new programmes was virtually always restricted to the beneficiaries of the programmes initiated in 2002. Unfortunately, consolidated spending data for 2009 and 2010 is still not available. Yet, it is assumable that the extension of the child allowance system and the implementation of the workfare programme “Argentina Works” significantly pushed expenditure upwards. This time,

⁶⁹ According to Rubén Lo Vuolo(2010) they have little in common with “real“ cooperatives. They rather seem to be small state run firms.

⁷⁰ I put the word benefit between inverted comma because it could also be considered a wage instead of a benefit.

and in contrast to 2002/2003, the rise of expenditure would not be in the context of rising poverty and unemployment, but in the context of improving socioeconomic variables.

If we observe the figures 34 to 36, we see that the governments before the currency devaluation in 2002 pursued a quite different strategy with regard to income transfer programmes than those afterwards. While before coverage was extremely low and benefits came at least close to cover the basic alimentary needs of a poor family, these kind of programmes became mass programmes after the currency devaluation, but with importantly reduced real benefit levels. This contrast shows some similarities to what has been found with regard to pension policies. Also pension coverage has been extended importantly in the new millennium, while benefit levels were kept relatively low if we consider that wages increased far stronger.

Looking at the whole period between 1975 and 2010 we can identify several patterns. Expenditure on social assistance and unemployment protection radically decreased during the military junta, and increased more or less steadily during the democratic governments afterwards. While the hyperinflation crisis and the government change in 1989 led temporarily to a fall of expenditure on these areas, the opposite happened with the peak of the crisis in 2001/2002. From the early 1990s on, we can observe a shift away from the repartition of goods towards income transfer programmes, which later became the dominant type of assistance policy. The increase in expenditure neither correlates neatly with the rise of unemployment nor with that of poverty. This does not mean that there is no relation. It is even very likely that there is one, but it shows that this relation is conditioned by other factors. The democratic governments, at least on national level, pursued similarly to what we have observed with regard to the pension system strategies of comparatively high coverage and low value benefits during the 1980s and 2000s, while the governments of the 1990s awarded averagely higher benefit levels, but at a significantly lower scale. Interesting is also, that International Financial Institutions have virtually always played an important role as adviser and financier in the implementation of targeted social assistance programmes. In assistance policies, the participation of these institutions has continued during the 2000s, at least during the first half of the decade, while in health and pension policies their role was reduced. The IADB and the World Bank were the two institutions with the strongest presence in Argentinean social assistance and unemployment protection programmes. Striking is that all governments during the observed period avoided the introduction of genuine social rights to social assistance or unemployment protection. Only in 2009 the extension of child allowances to the families of unemployed and informal workers can be seen as a guaranteed right. As has been mentioned, this measure can certainly also be categorised as family policy, but it has explicitly been introduced with social

assistance purposes and also replaced other assistance programmes. Nevertheless, it can be said that it is the first programme that breaks with the extremely volatile, fragmented and discretionary character of preceding programmes.

All these patterns require closer political analyses from both a theoretical as well as an empirical perspective. For this reason we will come back to these patterns in the following chapters.

At the beginning of this chapter I have argued on the basis of the spending data that social assistance and unemployment protection policies did not adapt adequately to the labour market changes, as the spending increase lacked significantly behind the magnitude of the increases in poverty and unemployment. Roughly estimating the social assistance and unemployment protection expenditure for 2010, including the “Universal Child Allowance” and the “Argentina Works” programme, it seems that the downward trend between 2003 and 2008(see figure 33) has been reversed and that expenditure as a share of the GDP is today significantly higher than in 2002/2003. This constitutes a real improvement, as the rise in expenditure takes place for the first time since 1975 in a context of improving socio-economic and labour market variables. Yet, these variables are still considerably worse than they had been in 1975. The implemented measures are still too weak to effectively protect the population in situations of poverty and unemployment. The benefit levels of the big majority of the programmes are not even sufficient to cover the basic alimentary needs of the beneficiaries, not to mention their general basic needs. Moreover, the programmes continue to exclude important parts of the poor and/or unemployed population, namely those without children under 19 years, or those who for some reason cannot, or do not want to, comply with the conditionalities. Considering that unemployment and poverty have been massive problems in Argentina for decades now, the adaptation of social assistance and unemployment protection policies has been advancing very slow, and the way to go is still long.

2.3 Welfare state regime and welfare state adaptation in Argentina: an institutionalist perspective

The most commonly used categorisation of welfare state regimes today is that developed by Esping-Andersen in his renown study from 1990.⁷¹ He distinguishes between so called social democratic/socialist welfare states, corporatist/conservative welfare states, and liberal welfare states.

⁷¹ Which shows many similarities with that developed decades earlier by Richard Titmuss.

His categorisation centrally bases on two aspects: institutional aspects and political aspects. In this chapter I will focus on the former and its implications for welfare state adaptation. The latter will receive particular attention in my discussion of the theoretical framework for the analysis of the politics behind welfare state adaptation failure, as well as in a successive chapter, which deals with the historical legacy of the Argentinean welfare state.

In Esping-Andersen's (1990) study the institutional aspects of the welfare state served to identify three welfare state clusters. Within each of these clusters, welfare states show strong institutional similarities to each other. Three variables have been used to identify these similarities within, respectively the differences between, the three clusters.

The first variable is the degree of so called de-commodification provided by the respective welfare state. This variable refers to the degree to which the welfare state entitles to a decent and culturally acceptable living standard without participating in the labour market. Or in other words, the degree of labour market independence provided by the welfare state. Based on a comparison of 18 countries, Esping-Andersen concludes that liberal welfare states are little de-commodifying, conservative/corporatist welfare states offer medium to high de-commodification, and social democratic/socialist welfare states de-commodify strongest. (Esping-Andersen 1990: 35 – 54)

The second variable is concerned with social stratification. Welfare states do not treat everybody the same way, and hence change or consolidate lines of stratification existent in the society. With this regard, the author found in his study, that liberal welfare states largely reproduce the social stratification created through the market, conservative/corporatist welfare states reinforce stratification along the lines of occupational groups, and social democratic/socialist welfare states tend to be relatively universalistic. (Esping-Andersen 1990: 55 - 78)

The third variable refers to the way in which the state, the market and the family participate in the provision of social protection. Liberal welfare states show an important degree of private sector participation in the provision of welfare through, for example, private pension or health insurance funds. Also child and elderly care is largely provided through the market. Yet, the market does not provide anything for free, and the market is not providing services in regions where demand is weak and investment returns are meagre. Therefore, welfare provision, besides the market and the state, relies to an important degree on the family, not only due to the inequities in the access to market provided care, but also because income maintenance schemes are weak for low earners in most liberal welfare states. Corporatist/conservative welfare states mainly provide public or semi-public income maintenance and health provision schemes based

on the principle of social insurance. The role of the state is thereby relatively dominant. On the other hand, most exponents of this regime promote the assumption of important welfare functions, such as care for children and the elderly, through the family, and in particular through unpaid female work, which is reflected in relatively low female labour market participation in these countries.⁷² In consequence, the welfare of large parts of the society de-facto depends on the family, as children and elderly depend on the care of unpaid family members, mostly women, and the latter depend on the income provided through the usually male breadwinner.⁷³ In Social democratic/socialist welfare state regimes the state plays the central role in welfare provision, also providing welfare functions that are partly left to the family and the market in the other two models, such as child and elderly care. (Esping-Andersen 1990: 79 – 104, Esping-Andersen 1999: 32 - 72)

The welfare state regime debate is of importance for our analysis of the failure of welfare state adaptation in Argentina, as several authors found (e.g. Bonoli 2006: 24- 26, Tepe/Vanhuyse 2010: 230) that welfare state adaptation processes have not been equally successful in all three welfare state types. These authors found that so called social democratic/socialist welfare states adapt easier to new circumstances than the other two.

Different reasons for this have been identified, which can again be divided in two groups: those which refer to institutional aspects and those which refer to political aspects.

Focussing on the institutional characteristics with regard to the three above described variables, the Argentinean welfare state of the mid 1970s showed important similarities with the so called conservative/corporatist welfare state model. The fragmentation of the social insurance system along the lines of occupational groups was extraordinarily strong, and also the state/market/family divide in welfare provision came impressively close to that of the ideal type of the conservative/corporatist welfare state regime. However, regarding the de-commodification variable the Argentinean welfare state deviated from the corporatist/conservative ideal type. It would have scored significantly lower on Esping-Andersen's de-commodification chart than the rest of the corporatist/conservative welfare states in his study. This can be related to mainly three reasons: The inexistence of an unemployment insurance, the lack of non-contributory income maintenance programmes, and the limited coverage of social insurance schemes due to the importantly bigger size of the informal economy.

In practice, these characteristics created a strong insider/outsider divide between all those who worked in the formal sector and those who were unemployed or worked in the informal sector.

⁷² France can be considered an exception as it provides ample public child care provision.

⁷³ Of course there are families with a female breadwinner and a male carer, but this is still not very common.

For this reason, Armando Barrientos(2008, 2009) proposed to characterise the Argentinean welfare state of the mid 1970s as an “informal-corporatist welfare state”. Also the characterisation of a southern European welfare state type by Maurizio Ferrera(1996), apart of directing attention to some interesting political aspects to which we will come back later, emphasises that the insider/outsider divide, and hence the resulting lower de-commodification capacity, distinguishes the southern European welfare states from their northern corporatist neighbours. Therefore, both notions, “a southern (variant of the corporatist/conservative) welfare state regime” or an “informal-corporatist welfare state regime”, seem to be quite accurate categories for the Argentinean model.

Well then, what has the institutional affinity of the Argentinean welfare state with these welfare state regime types to do with welfare state adaptation failure?

First of all, the existence of the insider/outsider divide, typical for this welfare state regime, suggests that the Argentinean welfare state of the mid 1970s contained problematic black spots. Unemployed and informal workers were not protected through the welfare state. This problem might have been considered a minor issue back then, as the groups that fell through the cracks were relatively small compared to today. Yet, they existed, and they began to grow rapidly from the mid 1970s on. The inexistence of unemployment insurance and non-contributory programmes that would guarantee the right to a minimum income outside the labour market implied that the welfare state virtually only provided some independence from the labour market for pensioners. This had important impacts on how the Argentinean welfare state responded to the profound changes on the labour market.

Social democratic/socialist regimes, or even liberal and conservative regimes that possess contributory and non-contributory unemployment protection schemes, would have automatically adjusted social expenditure to a certain degree, as rising numbers of unemployed persons translated into a rising number of unemployment benefits, and hence led to rising social expenditure for unemployment protection. The provision of a labour market independent minimum income also affects the labour market, as it prevents wages from falling below the line of income guaranteed by the state. The fact that most welfare states rely on progressive taxation for the financing of these programmes, also implies that social expenditure becomes more progressive when expenditure shifts towards unemployment benefits, especially if these are non-contributory.

So for example in Sweden, expenditure on unemployment protection as a share of the GDP increased by 156 % between 1990 and 1995 due to the rise of unemployment rates in the context of economic recession.(OECD database, ILO database) Also in Germany, a

conservative/corporatist welfare state with an unemployment insurance and a means-tested non-contributory minimum income scheme, expenditure on unemployment protection as a share of the GDP rose by 88 % due to the rise in unemployment between 1990 and 1995.(OECD database, ILO database) Even under the neoconservative government of Margaret Thatcher, which was very critical of the provision of unemployment benefits as it assumed that these would impede market forces from fixing adequate wage levels, expenditure for unemployment protection rose by 67 % between 1980 and 1985 as a response to the increase in the unemployment rate from 6.9 % to 11.4 %.(OECD database, UK Office for National Statistics database)

In none of these cases increased spending on unemployment protection can be related to active policymaking. In all three of them, the increase of social expenditure was a direct and immediate result of the automatic response of inherited social policy institutions, namely the right to unemployment benefits and a certain minimum income. In Argentina in contrast, the low degree of de-commodification, and in particular the lack of unemployment protection, implied that the welfare state did hardly provide any alternative source of income to the labour market. Hence, when the labour market ceased to be a source of (sufficient) income for growing parts of the society, these basically fell into a situation of no or extraordinarily low income, in other words poverty. No automatic response of the existing welfare state institutions to the deterioration of the labour market situation was to be expected, and hence, active social policy reform was required. But as we will attempt to explain in the following chapters, Argentinean politics failed to deliver the urgently required responses.

The strong social insurance bias, typical for the informal-corporatist regime, implied that increasingly unequal incomes in the labour market were reproduced on the benefit side, due to the linkage between contributions and benefits. The stratification along occupational lines, especially regarding social health insurances, implied that with rising income inequalities between different occupational groups⁷⁴ also health care provision quality increasingly diverged between these groups. Furthermore, the contribution-benefit nexus excluded increasing parts of the population from entitlements to social insurance benefits. This means that also the core institutions of the Argentinean welfare state, pension and health insurance, required active reform if they were supposed to adapt to the changes that hit the underlying society. In contrast, social democratic/socialist welfare regimes, that provide a big proportion of their benefits and services on a universalistic basis, require far less adaptation, as their benefits are usually

⁷⁴ So for example have industrial and construction workers seen their incomes drastically reduced since the mid 1970s, while this is not the case, at least not to the same extent, for occupations that demand high educational levels.

relatively flat and independent of the work history of the recipient. Regarding pension insurance, Argentinean governments of the 1980s and the new millennium found temporary solutions, but, however, did not implement lasting institutional changes for the future. With regard to health insurance adaptation, politics failed entirely.

The reforms of the 1990s, as for example Armando Barrientos(2008, 2009), Rubén Lo Vuolo(1998a/b) and Evelyne Huber(1996) have argued, were inspired by neoliberal ideas and headed towards reforming the welfare state along the lines of the liberal welfare state regime. Although the reform process was able to complete this transformation in Argentina, welfare state stratification, especially regarding health care and pensions, shifted its point of orientation from the lines of occupational groups to the lines of income groups. The liberalisation of the social health insurance sector has thereby reduced the solidarity factor that existed within each occupational group.

Armando Barrientos(2008: 141 – 146, 2009: 91 – 94) argued that the Argentinean welfare state broke with its corporatist-informal path during the 1990s and became a liberal-informal welfare state. It is certain that the institutional characteristics of the welfare state shifted towards a more liberal design, however, as I will argue in the following chapters, the politics associated with the Argentinean welfare regime remained largely in tact, and also the institutional shift was incomplete. Furthermore, one of the key components of neoliberal welfare state reform during the 1990s, namely the partial pension system privatisation, has been completely reversed in 2008. For these reasons I opine that Argentina is still today a corporatist-informal welfare state.

Another typical feature of the informal-corporatist respectively southern welfare state is the bias towards income transfers in family policies, and the low importance that it ascribes to the public provision of daycare. Also this feature would have required active reform if the Argentinean welfare state was to respond to the increasing female labour market participation.

In general, it can be said that the institutional arrangements common to most conservative/corporatist welfare states, and in particular those common to the corporatist-informal or southern welfare states, are little flexible with regard to labour market transformations such as they occurred in Argentina. While the social democratic/socialist model adapts to a certain extent automatically to these changes, the corporatist-informal model requires active, and most likely profound, welfare state reform to be able to respond adequately to these changes. Yet, this requires political will and can be politically, as well as economically, costly.

3 POLITICS AND POLITICAL ECONOMY OF WELFARE STATE

ADAPTATION FAILURE

I have dedicated a fairly important part of this work to the analysis of the nature of Argentinean labour market transformation and social policy reform after 1975. This is today not very common in political science social policy analysis, which often focuses quasi exclusively on politically explaining social policy. However, welfare state adaptation failure, which is what this text attempts to explain, constitutes in itself a hypothesis. I have done my best to combine a wide range of labour market and social policy data that comprise the last 35 years to give evidence for this hypothesis. To put the picture together I have drawn on the work of political scientists, sociologists, economists, historians and legal scholars, as well as on a wide array of statistics from different sources, on newspapers and legal texts. Other scholars might interpret the same data I used differently, or even put other aspects in the foreground. Well, that is social science! This is one reason why I considered it appropriate to dedicate some space to discuss the nature of welfare state adaptation failure.

Moreover, the evidence brought forward allows to identify medium and long term social policy patterns in the four analysed areas. The relatively long period of study and the knowledge about these patterns makes it possible to add a multivariate longitudinal comparative component to the political analyses of this text. The case study design of the present work offers little possibility to reasonably apply quantitative statistical methods, which is why these comparisons will be essentially of qualitative nature. Qualitative multivariate longitudinal comparison sounds horribly complicated, but is actually nothing more than a cumbersome scientific description for an undertaking that is, in principle, of limited complexity in this case. This undertaking basically consists in looking for correlations between the social policy patterns that are relevant for our hypothesis of welfare state adaptation failure on the one side, which constitutes a disaggregation of our dependent variable, and possible explanatory factors, such as institutional transformations, changes in the power relations etc. on the other side, which constitute our candidates for the independent or explanatory variables. Already in the description of social policy reform after 1975 some correlations have been alluded. So, for example, that the military dictatorship coincided with a reduction in social assistance expenditure, while during democracy social assistance expenditure rose, or that the less neoliberal governments during the 1980s and the 2000s, expanded pension coverage and maintained benefit level inequalities low, while the

strongly neoliberal influenced governments of the 1990s reduced coverage and induced rising inequalities in benefit levels. Correlations of this kind will later be analysed with more depth. Yet, a correlation does not necessarily indicate causality. The probability that some of these correlations may simply be coincidence, or the result of related third factors, is even quite high, and due to the case study design of this work I am not able to test the likeliness of a causal relation through cross-sectional comparisons. It is therefore essential to analyse the plausibility of a causal relation from a theoretical perspective.

The following subchapter will be dedicated to a theoretical discussion of the main instruments that political science social policy analysis has brought forward to explain social policy. At the end of this subchapter a specific theoretical framework for the Argentinean case of welfare state adaptation failure will be proposed.

Following the theoretical discussion, I will proceed with an in-depth analysis of the main causes of Argentinean welfare state adaptation failure and substantiate the line of argumentation with empiric evidence.

3.1 Relevant theories of social policy research and the Argentinean case

The following subchapters will discuss the most important theoretical 'instruments' of contemporary political science social policy research with regard to the specifics of the Argentinean case of welfare state adaptation failure. The classification below draws on Manfred G. Schmidt et al(2007), Peter Starke(2006), Giuliano Bonoli(2006) and Nico Siegel(2006). Although different authors put stronger emphasis on one or another approach in their respective welfare state analysis, it is important to mention here that most of them apply a mixture of these approaches. As will be indicated, the independent variables emphasised in one approach usually interact with those of other approaches, so that a complete separation is rarely feasible nor meaningful in practice. Yet, the categorisation of these approaches into different schools provides a good panoramic view over the theoretical instruments that a large number studies has made available for social policy analysis. The specific theoretical framework for this work, which will be proposed in the last part of this chapter, will resort to these instruments, yet, taking advantage of the case study design and adapt and complement these with regard to the particularities of the Argentinean case of welfare state adaptation failure.

a) Theories of the socioeconomic determination of social policies

Theories of socioeconomic functionalism explain public policy mainly as reaction to structural, social and economic developments in the underlying society. Following this logic, social policies are centrally defined by the emergence of social and economic needs on the one hand, and the availability of socioeconomic resources of the society and state on the other hand. (Schmidt/Ostheim 2007a: 29 – 39) Harold L. Wilensky, an important advocate of this approach, published in 1975 an influential study under the title “The Welfare State and Equality” in which he compared the evolution of social expenditure as percentage of the GDP in 22 industrialised countries. He came to the conclusion that the level of economic development constitutes the most important determinant for social policies and the level of social expenditure. Besides economic factors, the “socioeconomic school” has identified demographic variables, like the share of citizens in retirement age, as important determinants for pension or healthcare spending. (Schmidt/Ostheim 2007a: 29 – 39) International comparisons with a most-dissimilar-systems-design, i.e. comparisons between countries with very different levels of economic development, show a strong correlation between the level of economic development and social expenditure. Nevertheless, such socioeconomic approaches cannot explain differences between countries with similar levels of development. Furthermore, it is not clear in what way the level of socioeconomic development translates into social policy inputs. In Argentina social expenditure as a share of the GDP rose by approximately 6.2 % points between 1975 and 1995. This does coincide with a massive expansion of demand for the provision of social protection, but, however, not with a growth of per capita GDP, which was approximately 1.6 % lower in 1995 than in 1975. Furthermore, as I have argued, it is doubtful whether the increase can be related to the expansion of social needs, as spending increases were concentrated on traditional social insurance areas, and not on those social risks that experienced the strongest expansion.

Theories of socioeconomic functionalism are rather appropriate for explanations that point at the very long run and that include a large number of cases. In the context of a case study, in contrast, it seems adequate to refer to this approach in combination with other theories. So, for example, can be argued that the level of economic development and the socioeconomic structure impact on the constellation of interests and the respective power structures within a society. Abrupt socioeconomic changes, like they often occur in the context of economic crises, may not only change power structures but also discredit hitherto dominant ideologies and political patterns. As we have alluded in the chapter about social policy reform after 1975, some patterns in social policy changed after the profound hyperinflation crisis in 1989 and again after the “exchange rate” crisis in 2001/2002. One example is that the introduction of market mechanisms

into the social security systems became a central policy aim after the first crisis, while this aim has not been further pursued, and even partly reversed, after the second crisis.

b) Power resources centred approaches

Theories seeking to explain welfare state development with an emphasis on power resources assume that social policy is mainly determined by the relations of power between different social groups or classes with opposed interests. There is a strong influence of (neo)marxist class sociology and political economy. Most of these approaches pay special attention to the organisational, mobilisational and electoral capacities of opposed social classes or groups. Vote, parliament and/or cabinet shares of left parties and the strength of trade unions are often used as indicators for strong working class influence on social policies. On the other hand, the vote, parliament and/or cabinet shares of liberal or conservative parties are often used as indicators for employer or church influence on social security systems.(e.g. Korpi 1983, Esping-Andersen 1990, Rothstein 1998) These factors are not only held responsible for the dimension of social expenditure, but also for the level of redistribution(Walter Korpi) and the organisational characteristics(Gøsta Esping-Andersen) inherent in the respective welfare state. Tobias Ostheim and Manfred Schmidt(2007a: 40 – 50) ascribe generally high explanatory potential to power resources based approaches. Also in the Argentinean case, power relations seem to be of special importance for the creation, the evolution and the adaptation problems of the welfare state.

As will be shown in chapter 3.3., due to the necessarily redistributive character of welfare state adaptation, the related interests diverge largely between different socioeconomic classes. While the working class, and particularly unemployed and informal workers, had important interests in an adaptation of the welfare state, employers had strong interests in avoiding it. The socioeconomic polarisation of the society after 1975 increasingly diminished and divided the middle class, so that this sector was increasingly split between one part that largely shared the interests of the working class, and one part that rather shared the interests of the employers.

There is a relative consensus among scholars, that in Argentina the distribution of power resources between labour and capital has shifted significantly towards the latter after 1975.(e.g. Grewe 1996, Birle 1996, McGuire 1997, Lo Vuolo 1998a/b, Levitsky 2001) In this sense, the distribution of power resources after 1975 has been largely unfavourable for the adaptation of the welfare state.

Social policy reform after 1975 was less profound than the increasing concentration of power on the economic elite would suggest on the first view. Yet, as the Argentinean welfare state had hardly been an instrument for progressive redistribution(Barbeito/Lo Vuolo 1998), it can be

assumed that welfare state reform has been of far less importance for the dominant business sectors than economic policy reform. The consequences of organised labour's loss of power resources are therefore mainly reflected in the dramatic shift in economic policies, but not so strong in social policies.

Besides the distribution of power resources between social classes, also the power relations within social classes are important for an understanding of the politics of welfare state adaptation failure. So, for example, were trade union leaders largely able to preserve the control over, and the resources of, the health insurance funds, which constituted a significant source of personal power for them, while social policy has done little to provide social protection for the increasing group of poor households and informal or unemployed workers. In terms of power resources the latter represent a particularly weak group, hardly organised and vulnerable to the clientelistic strategies of political parties.(Levitsky 2001: 24) With regard to the employers, the partial privatisation of the pension system may be a indicator for the increasing power of the financial sector, who had particular interest in this measure.

Many of the commonly shared assumptions of power resource theory studies refer to OECD countries and are barely applicable to the Argentinean case. So, for example, did left or social democratic parties, despite strong trade unions, not play an influential role in the Argentinean politics since the rise of peronism. While democracy has been stable in most Western European and North American countries after 1945, this has not been the case in Argentina, where short periods of authoritarian democracies alternated with military dictatorships until 1983. This implies that the commonly used indicators, left party vote, parliament or cabinet shares and union strength, are too narrow to adequately capture the role of power relations in the politics of welfare state adaptation failure in Argentina. The chapters 3.3. to 3.5. will therefore provide a broader perspective on power, that considers organisational, economic, electoral and ideological power resources.

Apart of these general characteristics of the Argentinean case, some comments about the interaction between class or group specific power resources and other variables can be made. Dominant ideas or ideologies can influence what social classes or groups perceive to be in their interest. At the same time, power relations also influence which ideologies or common perceptions are preponderant in a society.(Korpi 1989) Alliances between different social forces or classes can decisively alter the impact of strong working classes(O'Donnell1977, Esping-Andersen 1990), as well as can different institutional designs(Repetto/Moro 2004). Moreover, power relations between social classes or groups on its own do not automatically translate into certain welfare state arrangements. It finally depends on a variety of contextual factors, and on

how the different actors use their power resources, the political strategies that they deploy and the coalitions that they establish, how strong they will be able to shape social policy in their interest.

c) Political party centred theories

Despite many similarities to the power resources approach, party centred theories have a narrower perspective as they see the main determinant of social policy production and outcome in the party composition of parliaments and governments.(Schmidt/Ostheim 2007b: 51 – 62) Douglas Hibbs(1977) asserted that the policies of a government reflect the preferences of the electorate of the government parties. Left or social democratic parties are commonly supposed to have a stronger inclination to expand social policies than conservative or liberal parties. However, also many social democratic parties have pursued cost containment policies regarding the welfare state during the last two decades. This might not necessarily fully contradict the findings of Hibbs from the mid 1970s, as the composition of social democratic electorate might have changed since then. Furthermore, also social democratic parties have not been able to defy the paradigm shift from a keynesian to a neoliberal consensus. The “Agenda 2010” of the German Social Democratic Party/Greens government and the “New Deal” of British New Labour are only two examples for social democratic social policy agendas that reflect the influence of neoliberal thinking.(Bundesregierung 2003, Department of Social Security 1998)

With regard to the type of social rights guaranteed by the state, Gøsta Esping-Andersen(1990) argued that in the long run social democratic and left parties favour universalistic social policies, while christian democratic parties tend to strengthen occupational group specific social insurance arrangements, and non-confessional conservative and liberal parties prefer market provision where this is possible.

In the Argentinean case the partisan composition of parliaments and governments until 1983 must be seen in a different light. In contrast to the countries examined by Douglas Hibbs, Argentina did only experience short periods of democracy, which were mostly periods of limited democracy due to the prohibition of the main opposition party.(Barbeito/Lo Vuolo 1998) The absence of democratic party competition clearly weakened the importance of electoral strategies and increased the necessity to build support coalitions around extra-parliamentary forces. Only from 1983 on democratic party competition determines the composition of parliaments and governments.

Another important particularity of the Argentinean case is that there exists no clear left-right division in the party spectrum. The two historically strongest parties(UCR and PJ) have been

defined as parties of the centre.(Alcántara Sáez 1996: 415/416) Although the PJ can be classified as a labour-based party⁷⁵, it has always integrated members from the whole ideological spectrum. In contrast to the assumption that a party's policies reflect the interests of their electorate, the PJ, which has governed during nearly 20 of the 27 years since the return to democracy, has largely ignored the interest in welfare state adaptation of the majority of its voters and members. The PJ governments during the 1990s even implemented a fierce neoliberal course that implied an important setback in this regard.

The mentioned particularities indicate that the relation between the party composition of the parliaments and governments and the evolution of social policies is more complex in Argentina. Instead of focussing on the mere party composition of the government and parliament, it is important to take into consideration which sector of the respective party, and ultimately which ideological strand, is predominating in the party at a certain moment, as most parties in Argentina are little homogeneous and integrate a very wide range of different ideological standpoints. In chapter 3.3. it will be argued that in Argentina the main political parties are not representations of one particular social force, but the different social forces compete about influencing the agendas of these parties.

d) Theories of the importance of ideas: development strategy, dominant social and economic thought and the welfare state

A growing literature examines the role of ideologies and ideas in the design, implementation, reform or dismantlement of social policies.(e.g. Béland 2005, Bleses/Seeleib-Kaiser 2004, Deacon 1998, 2000, 2002a, 2002b, 2003, Palier 2001, Starke 2006) The role of ideologies and ideas with regard to welfare state politics is multifaceted and their importance has to be understood in interaction with other approaches towards explaining social policy. While advocates of the socio-economic approach assume that social policies are responses to what Peter Starke(2006) calls “problem pressures”, proponents of the ideology/ideas centred approach argue that already the perception and identification of problems is not exogenous to politics. Ideologies and ideas strongly influence what is perceived as a problem and what not. In other words they form part of the social construction of the problem itself. Based on a study of Ian Hacking, Peter Bleses and Martin Seeleib-Kaiser(2004) argue “that the perception of what constitutes ,reality’ depends on dominant conceptualisations of ,facts’ and of the processes used to measure them. Consequently, with a change in the definition of ,facts’ or processes used to

⁷⁵ As a very high proportion of its membership and electorate has historically been working class.(e.g. Levitsky 2001, De Riz 1996, De Riz 2008: 14/15)

measure them, the ,objective' facts themselves might change.“(Bleses/Seeleib-Kaiser 2004: p. 110)

Once an issue is perceived as a problem, and hence entered into the policy agenda, ideologies and ideas importantly influence the design of the supposed solution to it. Alan Deacon(1998, 2000, 2002a, 2002b, 2003) argued in numerous publications how different ideas and strands of thought shaped New Labour's social policy agenda. Worth mentioning in this context are the ideas of Charles Murray(1984), who was particularly concerned with the supposedly “perverse incentives” provided by income maintenance programmes for the poor, meaning that those kind of programmes keep people from working, and the ideas of Lawrence Mead(1997), who argued that long-term unemployed persons lose their work ethic, which hence requires that the state introduces conditionality into its social programmes. Corina Rodríguez Enríquez and María Fernanda Reyes (2006) show that very similar ideas have shaped most targeted social programmes in Argentina since the second half of the 1990s. It is probable that the English New Labour experience, as well as the anterior experience with similar approaches during the Clinton administration, had certain influence on the Argentinean social assistance policy approach. Except in family policies, all the policy trends that according to Maurizio Ferrera(2008: 93/94) prevailed in European social policies over the last 20 years can also be detected in Argentina, especially during the 1990s when the role of several International Financial Institutions⁷⁶ as advisers and financiers was particularly strong.(see chapter 2.2.) Examples for these trends are the attempts to better target social assistance policies, to complement pay-as-you-go pension schemes by capitalisation accounts, to tie benefits stronger to contributions, to tighten eligibility criteria and to lower or freeze employer contributions.

According to Bruno Palier(2001: 16/17) this could be explained through a process of “policy learning” from other countries, which are perceived to perform well with certain measures. On the other hand, it is quite evident that many of these policies have been actively promoted by international organisations, which have been very influential in the highly indebted Argentina. Under these circumstances I suggest that governments are not only subjects of “policy learning” but also objects of “policy teaching”.

Ideas and/or programmes are usually integrated into a wider ideological framework.

“The ability to frame a policy programme in a politically – and culturally – acceptable *and* desirable manner is a key factor that can help explain why some policy alternatives

⁷⁶ IADB, World Bank and IMF.

triumph over others and why elected officials decide to ‘do something’ in the first place”.(Béland 2005: 12)

So, for example, have several authors argued that social policy reform in Argentina during the 1990s was part of a wider economic strategy framed by neoliberal thinking.(e.g. Barbeito/Lo Vuolo 1998, Cortes/Marshall 1999, Lloyd-Sherlock 2004, 2005, Kay 2000) Susana Sottoli(2000: 11) finds in her comparative study that those Latin American countries who carried out the most profound neoliberal economic reforms, also implemented the most profound neoliberal social policy reforms.

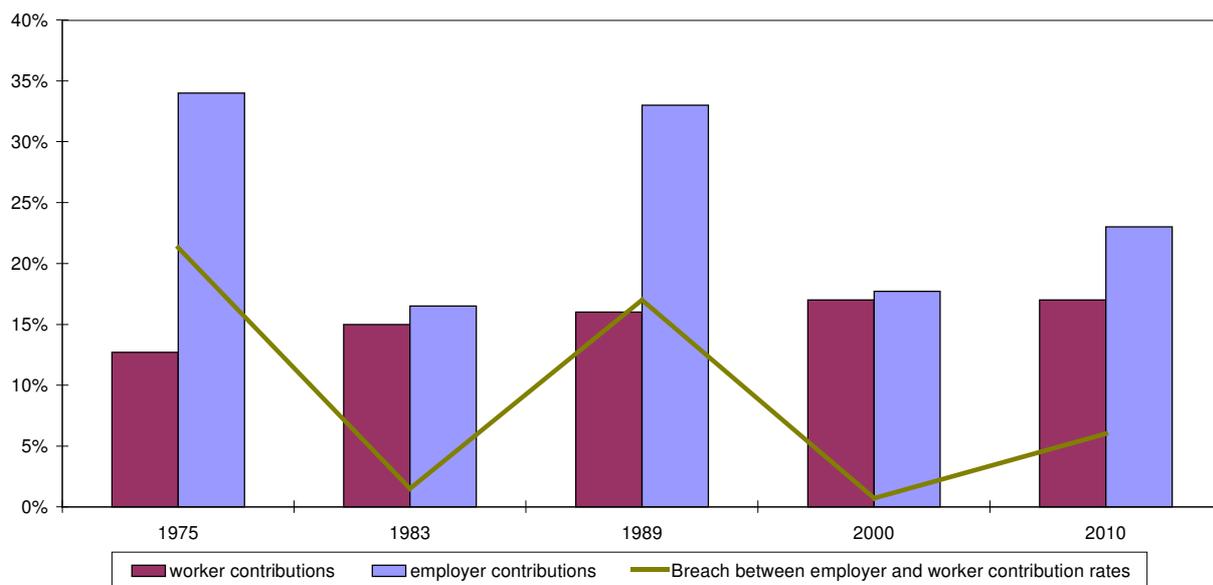
Peter Hall(1993) furthermore assumes that governments “learn” from their own policy failures. Under certain circumstances, these failures are not only capable of causing the abandonment of certain ideas, but of the wider ideological frame(“policy paradigm”). As mentioned in the subchapter about socioeconomic approaches, this is most likely to happen in and after situations of economic crisis, such as they hit Argentina several times during the period of study. Indeed, as will be shown in the subchapters following the theoretical discussion, the crises of 1982, 1989 and 2001/2002 correlate with significant ideological shifts with regard to economic and social policies. As will be seen, these ideological shifts correlate with changes in social policy patterns that coincide widely with the core ideas of the new ideological frame. However, social policies did never adapt completely to these new ideological frames. In some cases the proposed reform projects had to be modified in the face of trade union resistance. In other occasions governments may have relinquished from even proposing reforms for strategical reasons. In this sense, ideological influences may be stronger in influencing what governments want to do than in influencing what governments can do.

With regard to changes in the prevailing governmental (and to a certain extent also public) ideology, broadly four periods can be distinguished since 1975. Each period ends with an economic crisis and a following change of government. The military government(1976 – 1983) followed a neoliberal course. The Alfonsín government(UCR, 1983 – 1989) can be described as heterodox, that is critical towards many aspects of neoliberalism but at the same time not willing to fully return to keynesianism and import substitution industrialisation.⁷⁷ The Menem(PJ) and De La Rúa(UCR and FREPASO) governments(1989 – 2001) pursued again a strongly neoliberal course. The governments of Eduardo Duhalde(PJ), Néstor Kirchner(PJ) and Christina Fernández de Kirchner(PJ), following the 2001/2002 crisis, shifted again to a rather heterodox course.

⁷⁷It must be said that the Alfonsín government already shifted towards more neoliberal ideas from 1987/88 on, however, was largely prevented by the opposition from implementing these.

The different ideologies prevailing in the economic thinking of these governments had important impacts on the perception of certain features of the welfare state. A very clear example are employer contributions. The neoliberal governments saw in the employer contributions (non-wage labour costs) a major obstacle for the competitiveness of the national economy in the global market, and therefore pursued policies aiming at a reduction of these. The heterodox governments, in contrast, increased employer contributions as a means of improving the fiscal situation of the insurance systems, and questioned the direct relation between competitiveness and non-wage labour costs. (e.g. *El Clarín* 27th of December 2003, Huber 1996: 172) Figure 37 shows the percentage of the wage that workers and employers had to contribute to social insurances at the end of each period.

Figure 37: Employer and worker social insurance contributions as percentage of the wage, at the end of each period



Elaborated by the author. Sources: For 1975 – 1989: Barbeito/Lo Vuolo 1998: 337/338, For 2000/78: El Clarín 27th of December 2003, For 2010: C.F.E. Institute http://www.cfe.com.ar/teoria_tablas_sueldos.htm (opened on 24th of November 2010).

The overall trend towards a new distribution of the financial burden associated with social insurances in detriment of the workers plausibly reflects the changes that occurred in the distribution of power resources between capital and labour. However, the strong fluctuations also

⁷⁸ Since the 1990s effective employer contributions are varying between regions and sectors. The numbers given for 2000 and 2010 are national averages.

reflect the differing approaches that the distinct governments pursued with regard to non-wage labour costs.

As has been alluded in several occasions, ideology/idea centred approaches are in practice hardly separable from other approaches towards explaining welfare state development. Common perceptions or ideologies, and changes of them, affect the preferences of voters, have influence on how the relationship between global economy and national welfare state is interpreted, and can even shape what social classes or groups consider their interests. The other way round, Walter Korpi(1989: 18 – 20) argues that the distribution of power resources impacts on public perceptions.

e) Theories focussing on the importance of globalisation processes

Following Christoffer Green-Pedersen(2004: 130 – 133), the impact of globalisation on welfare states can be divided into three domains. The first domain is concerned with the increased openness of today's national economies in terms of trade. The second one centres on the increased mobility of production. As exporting and importing has become easier and less regulated and technological advances made transport cheaper, companies have greater freedom today in choosing the location of production. Finally, the third domain of economic globalisation with supposedly significant influence on welfare states is the increased importance of global financial markets.

The generally rarely doubted assumption is that in all three above mentioned domains, national economies are facing more competition as a result of globalisation. Nevertheless, there is much disagreement about the question in what way type and dimension of the welfare state influence the competitiveness of national economies. Ian Gough(2000: 234/235) divided scholarly positions in this regard into five categories. I will largely follow his categorisation, but combine the last two categories due their relative similarity.

The first position is based on the assumption that international competitiveness and extensive social policy are mutually exclusive. According to this view, cutting back the welfare state becomes unavoidable in a global market. Susan Strange, referring to this, speaks about the trivialization of governments: “Where states were once the masters of the markets, now it is the markets which, on many crucial issues, are the masters over governments of states.”(Strange 2003: 128) Other authors like Fritz Scharpf(2000) or Martin Rhodes(2000) generally share this view with regard to the welfare state, although in a more limited version. Both argue that during the post-war decades national economies were relatively closed. By this means, competition took mainly place between different competitors that all had to follow the same regulatory rules, and

that all had to carry the same financial burdens because of the welfare state. So, no competitor was better or worse off as a result of social policies. Enterprises were able to pass higher tax burdens or social insurance contributions down to the consumer. This has been particularly true in countries pursuing the ISI strategy, such as Argentina.(Huber 1996: 144) Since the abandonment of the ISI strategy and the embracing of the globalisation process, national companies have increasingly to compete with companies from other countries, or even with transnational competitors. These, in contrast, are not necessarily affected by the same regulations, and do not necessarily have to pay the same social insurance contributions. Therefore these foreign competitors may be able to offer the same product at a lower price. With respect to the increased mobility of production, enterprises may now decide to choose other countries for their production where welfare state related costs are lower. In this regard Martin Rhodes(2000: 259) used the notion “regime shopping”.

With respect to the increased importance of global financial markets, Christoffer Green-Pedersen(2004: 131 – 133) asserted that balanced budgets and low inflation are crucial to gain the confidence of these markets. If the government fails to guarantee this, financial markets will raise the interest rates for the respective country or charge an additional risk premium, which will shorten availability of “cheap” capital, and by this, slow down economic growth. The aim to balance out the budget does not necessarily lead to welfare state retrenchment, but cuts in social spending are at least one option towards this aim.

A second position claims the exact opposite, arguing that international competitiveness is strongly dependent on an extensive and efficient welfare state. Supporters of this position argue that increased trade openness and the higher mobility of production have led to more job insecurity and greater inequality of wages. At the same time, the society as a whole benefits economically from the globalisation process. The gains of the winners of this process are bigger than the losses of the losers. Hence, as a result of increased international competition, the necessity of a redistributive welfare state grows in order to secure social peace, stable consume and sufficient supply of educated workforce. These three factors are argued to be important factors for companies.(Bofinger 2005: 240 – 245) While sufficient supply of educated workforce is the precondition for any choice to invest in a certain location, stable consumption and social peace are fostering investment and successful export business, as they provide the necessary stability for long-term decisions. The result is high competitiveness, especially on the quality, reliability and technological level. Furthermore, it has been argued that greater openness to the international markets, as it produces more insecurity among workers, favours trade unions and

social democratic parties, which hence is expected to lead to more redistributive and extensive social policy.(Green-Pedersen 2004: 130/131)

With regard to the increased importance of global financial markets, Green-Pedersen(2004: 131 – 145) assumes that while this process requires more fiscal discipline, it does not necessarily demand welfare retrenchment, as balanced budgets can also be reached by raising tax revenue. Timothy J. Sinclair(2000: 185) furthermore questioned the general necessity of totally balanced budgets, stating that “the social and financial impacts of budget deficits are debatable, and the costs and benefits they generate vary for different social interests.”

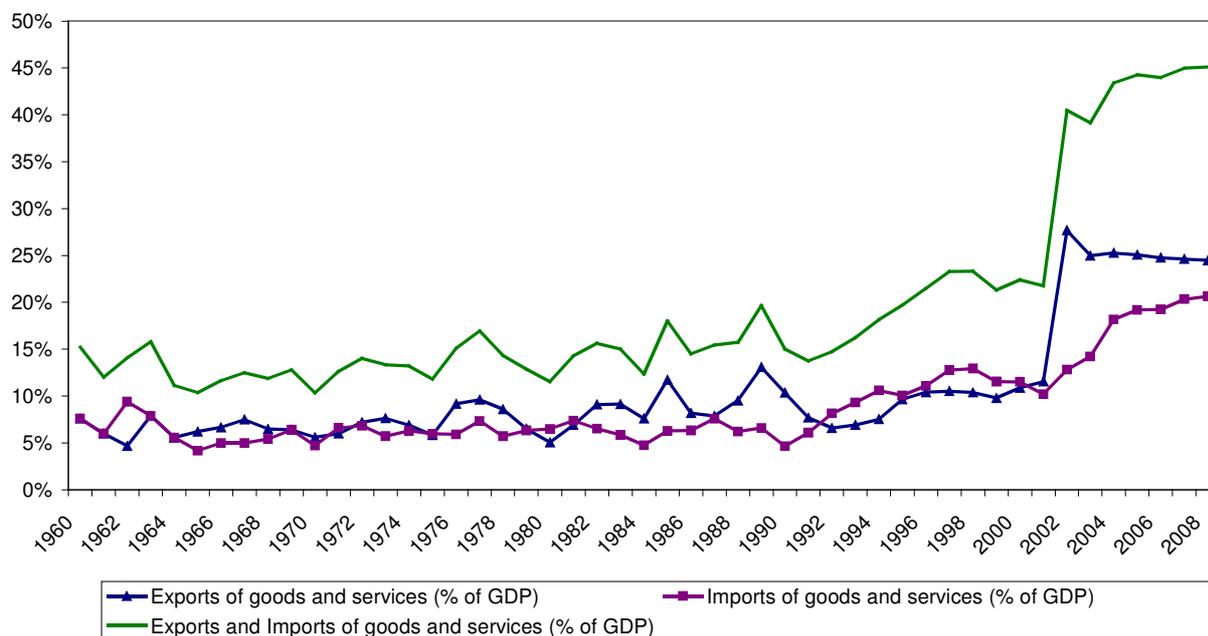
The third position regarding the relationship between the welfare state and the international competitiveness can be located between the first two positions, arguing that there is neither a benign nor a malign reciprocal influence. Most supporters of this point of view came to this conclusion less by theoretical considerations than by evaluating empiric data and reviewing similar empirical studies of others.(e.g. Swank 2003, Kite 2004)

From the perspective of the fourth position, different types of social policy and social spending have distinct effect on the competitiveness of the national economy on the global market. Of importance with regard to this is the well known categorisation of welfare state regimes by Gosta Esping-Andersen(1990). Welfare states can have very different effects with respect to the encouragement to work, the ability to combine work and family, the focus on training programmes and so on. By this means, the type of welfare state might be more important than the size of expenditure. Furthermore, Ian Gough(2000: 234/248 – 250) pointed out that the same welfare state policies can lead to different effects on competitiveness in different countries, depending on their broader institutional system and industrial relations, as well as on the country's economic structure and position in the world market.

The big variety of different scholarly interpretations shows mainly one thing: The impacts of globalisation processes on social policies are hardly generalisable and far from being obvious.

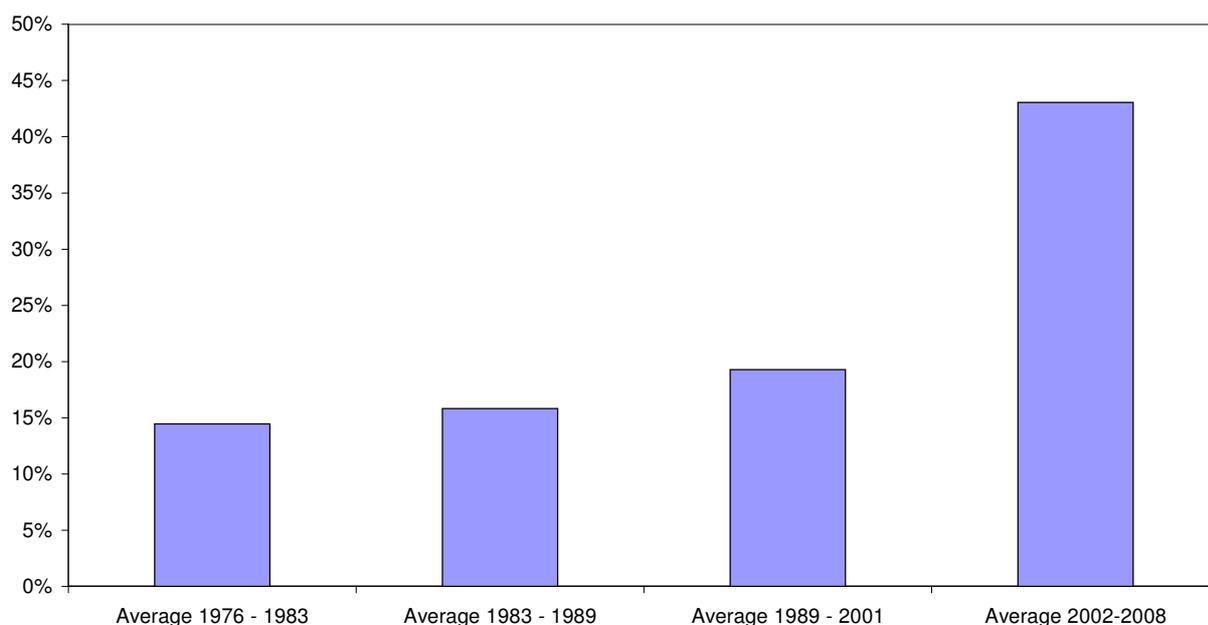
Ultimately, the impacts of globalisation processes on social policy will depend on how the respective government and the public perceive the relationship between the two. Perceptions, in turn, depend decisively on the ideological perspective. As has been argued in the last chapter, the neoliberal influenced military junta and the governments of the 1990s have interpreted this relation in a different way than the heterodox governments during the 1980s and 2000s.

Figure 38: Exports and imports of goods and services as percentage of the GDP



Elaborated by the author. Source: World Bank database.

Figure 39: Exports and imports of goods and services as percentage of the GDP, in four periods



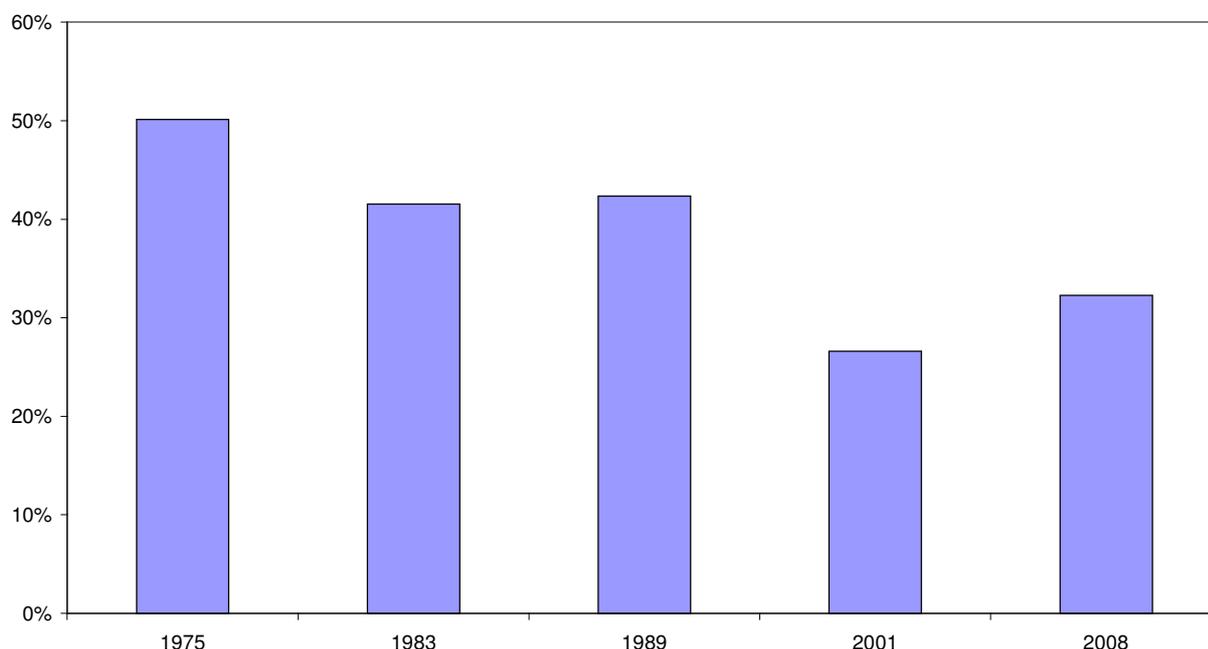
Elaborated by the author. Source: World Bank database.

Despite a significant and abrupt reduction of barriers and tariffs on foreign trade during the last Argentinean military dictatorship, imports and exports as a share of the GDP increased relatively slowly until 2001. Yet, after the 2002 currency devaluation they rose significantly. (See figures 38 and 39) A comparison of the relative importance of foreign trade during the four different periods with the social policy patterns identified in chapter 2.2 shows virtually no relation. This fact supports my assumption that the degree of participation in the global market has no automatic effect on social policy in Argentina. Even if we compare the weight of foreign trade with the trends in employer contributions during each period there is no observable relation, despite the widespread argument that increasing trade openness would force governments to reduce non-wage labour costs. The opposite is the case: during the period with the highest economic weight of foreign trade, employer contributions were rising while worker contributions remained stable. (See figures 37 – 39)

The impacts of globalisation processes on the politics of the Argentinean welfare state seem to stem less from globalisation as such, than from the particular way in which the military junta (1976 – 1983) and the governments of the 1990s inserted the Argentine economy into the world market. The abrupt opening of the market, combined with an overvaluation of the local currency, led to a rapid process of deindustrialisation. This, in turn, lastingly reduced the power of the trade unions, as these were best organised in the industrial sector, and because the deindustrialisation implied rising unemployment. It can be observed that after both periods that combined trade openness with an overvaluation of the local currency (1976 – 1983 and 1989 – 2001)⁷⁹, industrial production as a share of the GDP had declined dramatically. In contrast, during the Alfonsín government (1983 – 1989) this share remained stable, and after the 2002 devaluation the share even slightly recuperated.

⁷⁹ During both periods the currency was most of the time overvalued.

Figure 40: Industrial production(valued added) as percentage of the GDP, at the end of each period



Elaborated by the author. Source: World Bank database.

Furthermore, the military government accumulated enormous amounts of foreign debt. While Argentina's total foreign debt amounted to 7800 million US Dollars in 1975, it was 45100 million in 1983 when the military had to cede power.(Vargas de Flood 2006: 143/147) Apart of having severe economic consequences, the high debt burden “gave enormous leverage to international financial institutions, particularly the International Monetary Fund(IMF), private banks, and creditor governments, where a neoliberal view of the economic world was dominant.”(Huber 1996: 161) By this means, Argentina became, like most Latin American countries, a candidate for “policy teaching”.

f) Theories of path dependency

“Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.”(Marx 2008: 15; originally 1852)

Theories of path dependency are generally based on one of the key assumptions of science of history, in the sense that they put emphasis on the importance of past events and policies in

determining contemporary decisions. Hence, public policy, and in particular social policy, is perceived in big part as wanted or unwanted consequence of former political decisions. Once a social policy path has been chosen, it becomes increasingly difficult to significantly change its direction. Political heritage is therefore supposed to limit the margin of action of any government.(Ostheim/Schmidt 2007b: 85 – 95) Approaches of this kind are very influential in contemporary literature about the welfare state. So, for example, did Gøsta Esping-Andersen(1990) apply, among others, a path dependency approach to explain the genesis of three different types of welfare state regimes in his influential book “The Three Worlds of Welfare Capitalism”. To explain the effect of path dependency on political decisions, the concept can grossly be divided into two categories: “institutional path dependency” and “sociological path dependency”. With the first I refer to the increasing organisational difficulty of abandoning or changing the direction of a social policy path that has been consolidated over a longer time. In most areas of the welfare state, the economic costs of changing the once chosen path constitute important limitations to political action. As I have argued in 2.3., the particular Argentinean path of a corporatist-informal welfare state regime has posed several institutional difficulties to welfare state adaptation.

From the perspective of “sociological path dependency” it is rather political than economic costs that limit the margin of government action. As Gøsta Esping-Andersen(1990) and Paul Pierson(2001: 447) argue, welfare state arrangements, and in particular social insurance schemes, create extraordinarily strong vested (group) interests. If we refer to the example of pension schemes, it becomes clearly understandable that groups who contributed a long time to the pension insurance will perceive it as their right to receive the equivalent benefits when they reach the retirement age. Deeper changes in detriment of a certain group can easily be perceived as a violation of their rights and cause strong resistance. Hence, the political costs of quick changes in the area of social policy appear to be extraordinarily high, particularly in social insurance schemes.

This simple example can obviously not capture the whole picture. As the Chilean example of pension privatization shows, profound changes are possible under certain circumstances. The Argentinean case of partial pension scheme privatisation during the 1990s somehow serves as an example for both, the abandonment of the established path(Barrientos 2008, 2009), and the impossibility to carry out more profound changes(Isuani 2010), depending on the author.

Theories of path dependency are often linked to approaches focussed on power resources, as the dimension of the political cost of a social policy reform strongly depends on the power

resources of the negatively affected group. Therefore, cutbacks seem usually to be easiest in detriment of groups that lack strong power resources.

Sociological path dependency is especially strong with regard to the Argentinean social health insurance funds. Although the system is highly inefficient and inequitable, various attempts of reform during the 1970s and 1980s failed. Interestingly, during the same period the “Southern European welfare states”(Italy, Spain, Portugal, Greece) shifted towards more universal state led health systems.(Ferrera 1996: 22 - 24) Why did these countries successfully reform their health systems while comparable attempts failed in Argentina? Paul Pierson argues that “organized labour’s role in social insurance confers a degree of influence which it might not be able to achieve through wage bargaining systems”.(Pierson 2001: 445) As will be shown later, the particularity that Argentinean trade unions directly control health insurance funds implied that they, and especially their leaders, had peculiarly strong interest in the preservation of the system, and were therefore fiercely, and ultimately successfully, resisting any attempt of deeper reform of the system.

Interestingly Richard Rose(1990: 283 – 284) assumed that path dependency is much stronger in the area of social policy than in the area of economic policy. This coincides quite strongly with the evidence of the Argentinean case, where oscillations in economic policy have been arguably more profound during the last 35 years than in the realm of the welfare state.⁸⁰

Path dependency approaches are interrelated with other theories. I have mentioned before that path dependency is biggest when the group negatively affected by a change has strong power resources and is willing to resist. In democracies it can also be assumed, that vested interests of big groups are electorally important.(Pierson 2001: 447) In this sense party differences matter, because one party may depend heavier on the votes of particular beneficiary groups than another. On the other hand, James McGuire(1997) argued that under certain circumstances, like it happened in the Argentinean case, it may be easier to implement neoliberal reforms for a party with strong links to the trade union movement, than for other parties, that appear to be electorally more independent from groups affected negatively by these reforms. The explanation rests mainly on the assumption that parties with strong links to the trade union movement can easier negotiate the reforms and contain union resistance. Path dependency approaches also overlap with idea/ideology centred theories, as existing welfare state arrangements often seem to give the “idea” with regard to how new problems could be solved. So, for example, has Germany introduced a compulsory long-term care insurance, and also the first income maintenance

⁸⁰ The dimension of the social policy changes in Argentina during this period is a quite controversial topic. I will explain later in this text, to what I refer when I use the term “rigidity”. I will also discuss other interpretations.

programme for unemployed workers in Argentina was based on the insurance principle, despite the fact that unemployment was particularly widespread among formerly informal workers.

g) Institutional approaches to the analysis of the welfare state

Institutionalist approaches emphasise the influence of institutions on politics and their outcomes. Institutions can thereby be defined in a wider sense as “interpersonal formal or informal rules and norms”⁸¹(Schmidt/Ostheim 2007c: 63). Among others, these institutions can be the constitutional rules, the rules and norms of political interest aggregation and decision making processes, or the organisation of interest mediation between society, economy and the state. They all have in common, that they are rather fix structures that are not easily changeable, and that operate like filters for the political action, which enables certain problem solutions and impedes or hampers others. They also impact on the possibilities of the different actors involved in politics to influence decisions.(Repetto/Moro 2004, Schmidt/Ostheim 2007c)

Most comparative studies only compared relatively stable industrialised democracies with regard to the importance of institutional factors that determine, or at least influence, welfare state evolution. Yet, in Argentina formal institutions have been very unstable during the 20th century. Periods of (mostly restricted) democracy alternated with periods of military dictatorship several times. Also the period of study of this text contains the experience of a military dictatorship(1976 – 1983). Therefore, a central question is: What difference make democracy or dictatorship for welfare state politics, and hence for social policy?

In an extensive comparative study including 21 East Asian, Eastern European and Latin American countries, Stephan Haggard and Robert R. Kaufman(2008: 200 - 207) come to the conclusion that democracy has a significant positive effect on social expenditure measured as a share of the GDP. However, they argue that this effect was blocked in Latin America due to economic and fiscal constraints during the last quarter of the 20th century.

The data provided in 2.2. shows that several social policy patterns changed quite significantly between the period of dictatorship and the democratic period. The military dictatorship reduced the overall social expenditure from 14.6 % of the GDP in 1975 to 11.1 % in 1983. During the democratic period, in contrast, expenditure rose to 23.5 % of the GDP until 2008.(DAGPyPS 2010) Therefore, the Argentinean case seems to constitute an exception in the Latin American context, as social expenditure rose despite extraordinarily severe economic and fiscal constraints.

⁸¹ Translated by the author of this text. Original text of the quote: “interpersonelle formelle oder informelle Regeln und Normen.”

In fact, the period with the worst economic performance and the lowest taxation capacity⁸² coincided with the strongest growth in social expenditure in Argentina. During the Alfonsín government(1983 – 1989), the real per capita GDP declined by 11.8 %, and combined national and provincial net tax revenue accounted for averagely only 15.1 % of the GDP, but social expenditure increased by 47 % from 11.1 % to 16.2 % of the GDP.(DNIyAF 2010, DAGPyPS 2010) Furthermore, the social policy patterns identified in 2.2. clearly show that democracy and dictatorship coincide with distinct patterns of distributing social expenditure between different programmes, and ultimately also different social groups. In the health sector the dictatorship drastically shifted expenditure from the public system with universal access to the union controlled⁸³ social health insurance system. The following democratic governments maintained mainly the status quo with this regard. The military junta systematically cut down family allowance expenditure, while the democratic governments stabilised it on a low level. The strongest difference, however, can be observed regarding expenditure on social assistance and unemployment protection, which had been radically reduced during the dictatorship, but which has been increasing more or less steadily since the return to democracy.⁸⁴ How can these correlations be explained?

Democratic governments, in contrast to dictatorships, have to take voter preferences into account when they decide upon reforming the welfare state. The military government had not to fear being voted out of office for reducing public health sector and social assistance expenditure, while democratic governments increasingly needed the vote of the poor and the unemployed if they wanted to win elections, as these groups were constituting ever bigger parts of the potential electorate.

However, democracy alone can only explain a part of the story. Why did the military government shift expenditure to social health insurances and cut down public health sector, social assistance and family allowance expenditure in the first place? Why did the democratic governments not shift expenditure back to the public health sector and why did they not recover family allowance expenditure? Moreover, why did these governments rise the expenditure on

⁸² Taxation capacity is measured as tax revenue as a share of the GDP. Haggard and Kaufman(2008) use taxation capacity as indicator for the degree of fiscal constraint.

⁸³ The military junta was principally very hostile to the trade union movement. There have been attempts to completely quit health insurance control from unions, which, however, was neither completed nor lasting.(Vargas de Flood 2006: 148)

⁸⁴ Spending data(Vargas de Flood 2006: 188) from the years before 1975 shows that also during the short democratic period prior to the last military dictatorship expenditure on social assistance rose significantly, which further supports the assumption that there is a causal relation.

social assistance and unemployment protection at a significantly lower pace than poverty and unemployment were expanding?

Democracy seems to be a decisive factor, but if other factors such as power relations or prevailing ideologies are not considered, it has only limited explanatory power. Moreover, there are other institutional factors that must be considered if we want to understand the particular relationship between democracy and social policy in Argentina.

Since 1983, Argentina is a federal and presidential democratic system. The Argentinean president occupies a very powerful position with ample capabilities to govern and legislate by decree and emergency decree⁸⁵. Furthermore, the president can make use of a presidential veto to block law projects of the parliament, which can only be overridden by a two-thirds majority of the chamber where the law project originated from.(Ferreira Rubio/Goretti 1996: 443 – 451) Therefore, the government largely determines the policy agenda in Argentina, and the number of institutional veto players⁸⁶(Tsebelis 1995) can be considered rather low.

Table 1 shows the parliamentary situation of the different governments since 1983. As can be seen, it has been the exception that the government party, or coalition, held a majority in both chambers at the same time. Therefore governments had to win the support of deputies and senators from other parties if they wanted to pass laws.

⁸⁵ With the use of emergency decrees the president basically assumes the functions of the parliament to modify, abolish or pass laws.(La Nación 13th of April 2008)

⁸⁶ George Tsebelis defines as a veto player, an individual or collective actor whose approval is necessary for a policy change.(Tsebelis 1995: 301)

Table 1: Governments and parliamentary majorities, 1983 – 2010

	1983 - 1985	1985 - 1987	1987 - 1989	1989 - 1991	1991 - 1993	1993 - 1995	1995 - 1997	1997 - 1999
House of Representatives	M	M	X	X	X	X	M	X
Senate*	X	X	X	M	M	M	M	M
Government	Alfonsín (UCR)			Menem (PJ)				

	1999 - 2001	2002 - 2003	2003 - 2005	2005 - 2007	2007 - 2009	2009 - 2011
House of Representatives	X	X	X	M	M	X
Senate*	X	M	M**	M	M	neither X nor M (50%)
Government	De la Rúa (UCR / FREPASO)	Duhalde (PJ)	Kirchner (FPV - PJ)		Fernández de Kircher (FPV and allies)	

M = Government held majority of seats X = Government held minority of seats

** Until 2001 the senators were elected for nine year terms by the provincial parliaments. From 2001 on every second year one third were elected directly by the population.(McGuire 1997: 253)*

*** Between 2003 an 2005 the PJ held the majority of seats in the Senate, yet the party was very fragmented internally. During the presidential elections, that were held simultaneously with the legislative elections, three PJ candidates were competing against each other.*

Elaborated by the auther. Sources: For 1983 - 1999: Negretto 2002: 398, For 1999 - 2001: Negretto 2002: 398 and La Nación 25th of October 1999, For 2002 - 2003: La Nación 15th of October 2001 and Political Database of the Americas, For 2003 - 2005: La Nación 5th of May 2003, For 2005 - 2011: Political Database of the Americas.

In practice, however, the ample margins for the use of emergency decrees from the 1990s on severely limited the importance of the parliament. Emergency decrees could only be repealed by majority vote of both chambers, but between 1983 and 2010, there have only been four years during which the respective government held a minority of seats in both chambers.(See table 1) Furthermore, the governments often held the first minority in the House of Representatives, which implied that through negotiations with one or several of the small provincial parties they could reach ad-hoc majorities relatively easy.

It was the president Carlos Menem who systematically and excessively started to legislate with emergency decrees. Between 1989 and 1999 he emitted 545⁸⁷ of them(Ferreira

⁸⁷ Negretto(2002: 396) counts only 272, but states that this number only includes those emergency decrees which have officially been recognised as such by the government, while the higher number of Ferreira Rubio and

Rubio/Goretti quoted in *La Nación* 13th of April 2008), of which only 13 were repealed by the two chambers of the parliament. The preceding Alfonsín government, in contrast, only resorted ten times to legislation via emergency decree.(Negretto 2002: 388/396) The gap certainly reflects differences in the style of government between the two presidents. However, also the the context of the hyperinflation crisis contributed decisively to the concentration of power on the president during the early 1990s. The extension of the supreme court from five to nine members virtually eliminated this actor as a veto player, as Menem filled the new seats with political allies. This decisively facilitated the legislation by emergency decree, as many of these decrees were in fact hardly backed by the constitution. Generally, the government increased its influence on judges during the 1990s by initiating a wave of removals and appointments of judges on all levels.(Lo Vuolo 1998b: 210/211) The 1994 constitutional reform finally consolidated the extensive possibilities to use emergency decrees, which also enabled the governments following Menem to make excessive use of them. Fernando de la Rúa(1991 – 2001) emitted 73 of them, Eduardo Duhalde(2002 – 2003) 158, Néstor Kirchner(2003 – 2007) 270 and Christina Fernández de Kirchner emitted 5 between 2007 and the 20th of March 2009.(Ferreira Rubio/Goretti quoted in *La Nación* 13th of April 2008, Ichaso 2009) These decrees played an important role in social policy making, as they were, for example, frequently used to change benefit and contribution levels of family allowances or pensions.(e.g. *La Nación* 3rd of July 2006) Also the for now biggest social assistance/family policy programme, the so called “Universal Child Allowance”, was implemented through an emergency decree.(*La Nación* 30th of October 2009) The fact that president Christina Fernández de Kirchner emitted a significantly lower number of emergency decrees than her predecessors may partly reflect a different style of government, but can most likely be explained through the low necessity to resort to these decrees due to the government majorities in both chambers between 2007 and 2009.(See table 1)

In comparison, the Alfonsín government(1983 – 1989) faced clearly stronger veto players than his successors. It only held the majority in the House of Representatives but not in the Senate, and during the last two years it also lost the majority in the former chamber. As also the use of emergency decrees was more restricted during the 1980s, and because of the fact that the passing of laws required the approval of both chambers, the Alfonsín government had to negotiate reforms with the opposition more than successive governments.(Negretto 2002: 398)

Excepting the case of social health insurance reform failure during the 1980s, institutional veto player centred approaches seem to explain relatively little with regard to welfare state

Goretti(2008) also includes those that were de-facto emergency decrees but not recognised as such by the government.

adaptation failure in Argentina. The institutional setting gives the government very big autonomy for the implementation of its social policy agenda. Successive governments seemed to lack rather the will to progress towards an adaptation of the welfare state, than the possibility to do so. What is certainly true, is that the parliamentary opposition had hardly any possibility to impose steps towards welfare state adaptation on the government. Yet, until the 2000s there have also been few attempts of oppositional parties to do so.

Despite the high power concentration on the government, parliaments partly served as a channel for negotiations between trade unions and the government with regard to health and pension insurance reform. Until the early 1990s a considerable number of PJ deputies were trade union representatives, which gave trade unions also parliamentary weight in their negotiations with the government.(Levitsky 2001: 20)

Without any doubt, social policy plays an important electoral role in virtually all democratic countries. As Paul Pierson(2001: 411 – 413) pointed out, in most countries vast parts of the electorate are in some form social policy beneficiaries, and those who are currently not, expect in their big majority that they may be at some point in the future. Therefore, voters' electoral choices are broadly and intensely affected by matters concerning the welfare state. Due to this fact, being blamed for welfare state retrenchment can turn out to be very costly for governments. On the other hand, promising benefit rises or new social programmes before elections, or even implementing such measures shortly before election day, may help to influence voters' choices or to mobilise new voters. In this sense, social policies form part of a wider array of topics that might convince some voters, and lead to the opposition of others.

Social policy can also serve to win the support of big organised interest groups, such as trade unions, who may possibly be convinced to support the electoral campaign of the respective party.

What has been described is a common democratic process that provides incentives for parties to reflect the interests of their supporters in social policies. The welfare for votes exchange is thereby impersonal and usually concerns bigger groups. This exchange usually takes place within the frame of formal institutions.

In the weakly institutionalised political system of Argentina(Levitsky 2001, O'Donnell 2009), however, the exchange of social assistance benefits for vote and party support is indeed very personal and direct. To a great extent, *individual* benefits are exchanged for *individual* votes and party support. The institutionalised political patterns of political support and voter mobilisation via social policies, particularly assistance policies, do in large parts not follow the before described patterns of democratic interest representation.

Also within parties and the state, and between the state and the trade unions(who control social health insurances), the assignation of welfare state resources is extensive and intensively used to mobilise political support, and lacks clear institutionalised rules. As well here, the exchange of resources for political support is strongly personalised. The federal government has high levels of discretion with regard to the repartition of welfare state resources, and the receiving provincial, local or union leaders have high levels of discretion with regard to how to use these resources. The Argentinean welfare state bureaucracy has only very limited autonomy, is very vulnerable to government pressures, suffers frequent exchange of staff and very high levels of partisan penetration. The strength of the clientelistic informal institutions has to be seen in the context of these weaknesses of formal institutions.

These particularly clientelistic and co-optive institutionalised patterns of welfare state politics in Argentina played a crucial role in hampering the effective transmission of poor and unemployed voters' interests into the governments' social policy agendas. The chapters 3.2. to 3.4., will deal with the clientelistic politics of the Argentinean welfare state in more detail, will deliver empiric evidence, and show in what ways all this contributed to welfare state adaptation failure.

In this sense, the politics associated with the Argentinean welfare state show interesting similarities with those of the Southern European welfare states. Also the latter have provided ample margins for practices of political clientelism.(Ferrera 1996: 25) So, for example, argued Maurizio Ferrera(1997: 235/236) with respect to the Italian case that “the expansion of a highly fragmented pension system offered ample opportunities for distributing differentiated entitlements to selected party clienteles“ and served “as well as privileged currency for the *voto di scambio* (the exchange of preference votes for semilegal or outright illegal concessions of benefits or other 'favours')”.

h) A specific approach to analyse the Argentinean experience of welfare state adaptation failure

So far, several theoretical approaches towards explaining social policy have been discussed and broadly framed by the Argentinean context.

The primary focus of this text is on why Argentinean welfare state adaptation has failed in a context of profound labour market transformations. Therefore, it is useful to remember briefly the main “contents” of Argentinean welfare state adaptation failure, before I then propose a more concrete theoretical framework for the following political analysis.

Pension policies have been most responsive to the deterioration of the Argentinean labour market. Despite increases in unemployment and informality, pension coverage is today significantly higher than it was in 1975. The average real benefit level is lower today, but, in contrast to the trend of rising inequalities in the society as a whole, inequalities between the pension benefits have been reduced. The share of the GDP destined to the pension system rose quicker between 1975 and 2008 than the share of the population at pension age, so that despite lower average pension levels, the elderly population as a whole increased their pension income. The poverty rate for the pension age population is therefore significantly lower than the poverty rate for the society as a whole, and even much lower than for the working age population. (INDEC database) However, pension policies followed significantly different patterns during the 1990s, leading to rising benefit inequalities, falling coverage and rising poverty among the elderly in that decade. The stricter eligibility criteria and the changed benefit calculation formula that have been implemented with the 1993 pension reform, and which were two of the main causes of shrinking coverage and rising benefit inequality, are still in force today. The improvements reached with regard to benefit equality and coverage during the 2000s were largely based on temporary measures. The pension system has therefore not been adapted lastingly to the new labour market reality. Outcomes will deteriorate again if no further reform steps are taken.

Health policies not only failed to adapt to the changing labour market conditions, but even aggravated the already severe social consequences of it. The military government radically cut down expenditure on the public health sector with universal access and shifted expenditure to the social health insurances, which were covering a steadily shrinking part of the society. The following democratic governments did not return to the former, more equitable, distribution of resources. During the 1980s, the Alfonsín government attempted to universalise the health insurance system, but failed to do so, while the Menem government succeeded in introducing market mechanisms into the system, thereby reducing the already scarce solidarity within it.

Family policies showed no responsiveness to the deterioration of the labour market and the increased female participation in it. The military dictatorship radically cut down family allowance expenditure and the following democratic governments maintained the expenditure on that low level. The enormous increase in poverty affected children disproportionately strongly (INDEC database), but the expenditure for family allowances as a share of the GDP was nearly 60 % lower in 2008 than it had been in 1975, which ultimately exacerbated the problem of child poverty. The persistently passive role of the state in day care provision makes work and

family hard to combine, especially for poor households who most urgently require additional sources of income. It furthermore consolidates old role models that discriminate against women.

Social assistance and unemployment protection policies play a central role when it comes to protecting against social risks stemming from labour market deterioration. Also expenditure on this area was drastically reduced by the military government. Since the return to democracy, spending on social assistance and unemployment protection has been increasing, but it took until 1998 to recover the pre-dictatorship level. However, that year the poverty rate was nearly five times, and the unemployment rate nearly three times, as high as in 1975.(Gasparini/Cruces 2010: 5, INDEC database) In 2002, in midst of a deep economic and social crisis, the introduction of the so called “Programme for Unemployed Heads of Household” implied a significant expenditure increase. However, since then, expenditure was shrinking until the introduction of the so called “Universal Child Allowance” in late 2009. The resources destined to the respective programmes were clearly insufficient. Yet, another, not less important issue is that the impressive quantity of targeted social assistance and employment programmes reached in reality only a small part of the poor and unemployed population, and benefit levels are until today far from allowing to escape poverty, even mostly not enough to secure the alimentary needs of an average poor family. Until 2009 none of the governments established genuine social rights with regard to the situation of poverty or unemployment. Benefits were not only means-tested and linked to conditionality, but restricted to a arbitrarily fixed number, which meant that even the most serious situation of poverty and utmost disposition to fulfil conditionalities did not imply any *right* to receive one of these benefits. Only the recently introduced “Universal Child Allowance”, although being means-tested and tied to conditionalities, constitutes some kind of a minimal social right. The measure may help to mitigate child poverty, but the benefit level is still not even sufficient to secure the alimentary needs of an average poor family. Furthermore, the requirements of the programme exclude all unemployed and poor persons that have no children under the age of 19, so that still today, after decades of severe poverty and unemployment problems, the situations of unemployment and poverty, as such, do not entitle to social protection through the state.

As the preceding theoretical discussion has shown, the range of potentially explanatory factors is very broad. While the empiric evidence suggests that some of the discussed factors weight heavier than others in the Argentinean case, the interdependence of these factors speaks against focussing exclusively on a small number of factors. How will this apparent dilemma be resolved?

The correlations between the central social policy patterns associated with welfare state adaptation failure after 1975 on the one hand, and certain potentially explanatory factors on the other hand, as well as the theoretical plausibility of a causality of these correlations, helped me to identify four strands of argumentation that seem to largely capture the core political dynamics behind welfare state adaptation failure. These strands incorporate aspects from virtually all theoretical schools identified above, however, concentrate on the elements that have been central in the Argentinean case.

The first strand focuses on the historical legacy of the welfare state and shows how past decisions shape the politics of welfare state adaptation until today. As I have argued in 2.2. and 2.3., the welfare state in force in 1975 was designed for a formal, male breadwinner, full employment labour market, and hence completely unprepared for what came after 1975: rising informality, unemployment, income inequalities and female labour market participation. Welfare state adaptation failure is partly due to the difficulties to break with this legacy from the past. Chapter 3.2. will go back into the history of the Argentinean welfare state and identify the inherited institutionalised political patterns, heavily based on co-optation and divide-and-rule strategies, that channel the politics of the welfare state until today, and that make the embarking on a more equitable path more difficult. This strand is particularly important for an understanding of the failure to adapt the health care system.

The second strand focuses on the distribution of power resources in the politics of welfare state adaptation failure. This strand will argue that the shifts in the relations of power, but also the strategical decisions of, and coalitions between, the different actors involved in welfare state politics importantly contributes to an understanding of why social policy adaptation failed. In 3.3. I will argue that both the magnitude and the direction of the change importantly depended on the distribution of power resources among different classes and interest groups. The deterioration of the labour market and the process of deindustrialisation weakened the trade union movement. Rather than being able to request welfare state expansion, it focused on the defence of what has historically been most important for the trade union elites: the control over the health insurance system. For trade union leaders this strategy turned out to be relatively successful, as the social health insurances remained under trade union control and even increased their share of the total public health expenditure, however, in detriment of the public health sector, which took care of the poor, the informal and the unemployed workers. By this means, the Argentinean welfare state continued to fulfil two of its historic functions: co-opting trade union elites and driving a wedge between the interests of these and the poor, thereby impeding a social policy coalition between formal labour on the one hand, and informal and unemployed labour on the other. Although

growing in size and developing independent organisations, the power resources of the poor, the unemployed and informal workers, and hence their possibilities to pressure governments towards respecting their interests in the social policy agenda, remained low as long as they were separated from the rest of the working class, as well as internally fragmented. As has been shown in 2.1., the restructuring of the Argentinean economy caused mainly one thing: the redistribution of resources from the poorer strata to the richer, and particularly to the very rich. Along with their control over ever bigger shares of the GDP, the upper classes also increased their influence on social policies and successfully pushed towards a step-by-step remodelling of parts of the welfare state towards their interest, which is reflected in the reduction of solidarity within health insurances, the partial privatisation of the pension system, the avoidance of a more progressive tax system and the modification of social insurance contribution rates in favour of employers and to the detriment of workers. Although feminist movements gained some strength from the late sixties on, they were far from reaching the influence that their counterparts had conquered in the industrialised countries, and particularly in Northern Europe. (D'Atri 2005: 2) While in the latter countries women's organisations reached considerable influence on the social policy agendas by massively campaigning for the public provision of day care, Argentinean feminism had some success in demanding legislative improvements, but was not able to pressure the state towards a more active role in care issues. (Esping-Andersen 1999: 45, Gil Lozano 2004: 10)

The third strand will analyse why the return to democracy has not led to welfare state adaptation, despite the fact that a majority of the population would have benefited from it. The poor, informal and unemployed workers may have been weak in economic and in organisational terms, but they have been constituting an increasing share of the electorate. Since the mid 1990s, the poor alone have constituted between one quarter and one half of the population. Considering that poverty in Argentina is measured as the insufficiency of income to satisfy the most basic needs, this group had extraordinarily high interest in an inclusion into the social protection system. Why then did democracy only imply a limited rise of social assistance expenditure and little improvements with regard to the health care situation of the poor? - This strand will argue that the high levels of inequality and the weak institutionalisation of the Argentine political system systematically restricted the possibilities of the economically weaker sectors of the society to take advantage of their numerical strength, and to promote their interests with regard to welfare state adaptation. The extensive use of clientelistic practices importantly hampered the transmission of the poor's interests into the social policy agendas of the governments. Besides directing considerable parts of the poor vote in a direction that did not reflect their long term interests, welfare state clientelism provided incentives for politicians to avoid the establishment

of any kind of genuine social right, as this would have significantly reduced the margin for vote-for-benefit strategies. The undemocratic structures of the PJ party, the trade unions and increasingly also of organisations of the unemployed, furthermore restricted the possibilities of the weaker parts of the society to directly influence the political course of the organisations in which they constituted a majority, or at least a considerable proportion, of the membership. At the same time, the high concentration of power on, and autonomy of, very few persons on top of the government strengthened the importance of direct channels of influence, which clearly favoured the influence of the economic elite. Yet, the latter had considerable interest in avoiding welfare state adaptation.

The fourth strand focuses on the role of neoliberalism in the politics of welfare state adaptation failure. The analysis of the varying influence of neoliberal thought contributes importantly to an understanding of why welfare state adaptation progressed during the 1980s and 2000s, but experienced significant setbacks during the military dictatorship and the 1990s. Voters' decisions, as well as governments' decisions, are strongly dependent on what kinds of solutions are perceived to be possible and/or desirable. In turn, how realities are interpreted, and what solutions are ultimately favoured, strongly depends on the logic, respectively the wider ideological frame, that is applied. In chapter 3.5. I will argue that the prevalence of a neoliberal logic during the military government(1976 – 1983) and the governments of Carlos Menem(1989 – 1999) and Fernando De la Rúa(1999 – 2001) propelled reforms that further deteriorated the capacities of the welfare state to respond to the social consequences stemming from the long-standing labour market deterioration. During the military government the neoliberal logic has mainly been reflected by the strengthening of meritocratic in detriment of redistributive elements within the welfare state. The governments of the 1990s introduced market mechanisms in the health system, partially privatised the pension system and increased the regressiveness of both. All these social policy measures coincide with the neoliberal logic based on the assumption that the market is efficient and just. Neoliberalism clearly provided little margin for interpretations that would favour welfare state adaptation. The latter demanded active state intervention into the increasingly unequal distribution of wealth generated by the market, while the first precisely was about letting the market do its work. The heterodox governments during the 1980s and the 2000s, in contrast, made some limited steps towards more redistributive and including social policy. Meritocratic elements have rather been weakened during these periods, and the governments were attempting to increase the role of the state, rather than the market, in the provision of social protection. I will moreover argue, that the prevalence of neoliberal thought in the society during the 1990s made these policies electorally viable and helped to avoid

resistance. It will also be dealt with the question of how these shifts between different dominant ideologies during the last 35 years can be explained.

The argumentation along these strands will form the red line of this text. That distinguishes the perspective of this political science work from that of a more historical approach, as I will not attempt to describe each historical incident with detail, but focus on the central dynamics that can be identified as the parameters of welfare state adaptation failure over longer periods.

Power certainly constitutes the most recurrent theme of this social policy analysis. Ultimately, my argument strongly bases on the finding that those who would have benefited from welfare state adaptation did not possess the power to achieve bigger progress in this direction. Power is at the same time source and result of other central themes of this text, such as institutions and prevailing ideologies. Formal and informal institutions often reflect to a considerable degree past power relations, while at the same time, these institutions can significantly enhance the present power over social policy of certain actors, and limit the power of others. As I will argue in 3.5., also the shifting prevalence of different ideologies, and in particular the prevalence of neoliberal thinking, has to be seen in the context of shifting power relations between social classes and interest groups within these. Yet, power relations do not automatically or mechanically translate into policy outcomes. As the following chapters will show, the way in which the relevant social forces organise, the strategic and political decisions they take, and the coalitions they forge considerably influence how strong, and in what way, the societal power relations are reflected in the welfare state. At the same time, the political strategies of social forces also impact on the future distribution of power resources. The overall picture resulting from the detailed analyses in the chapters 3.2. - 3.5. will indicate, that while the abandonment of the import substitution model triggered structural changes that resulted in an increasing shift of economic and political power towards those actors who were opposed to welfare state adaptation, those social forces potentially benefiting from it, largely took strategical decisions, and organised in ways, that were exacerbating their loss of power, and which proved particularly ineffective for the promotion of the social policy interests of the social classes they were originating from.

In this sense, the theoretical approach of this text shows affinity with the power resource theory. Yet, at the same time this text criticises the often narrow perspective on power applied by power resource theory studies. Commonly applied indicators, such as left or labour party and union strength, are too narrow to adequately capture power relations in Argentina. As the Argentinean case shows, labour-based parties can indeed act mainly in the interest of employers, if the latter manage to make governments and voters believe that there would be no other alternative, or that these interests would be the interests of the society as a whole. This study

will also show that high unionisation rates do not necessarily favour progressive welfare states, as, for example, the Argentinean union leaders had strong interests in the preservation of a highly inequitable health insurance system.

In contrast to several fairly influential social policy analyses (e.g. Pierson 1994/2001, Haggard/Kaufman 2008), this text assigns only very limited importance to what has been called a “context of austerity” or “fiscal constraint”. On the one hand, this has to do with the fact that the evolution of social expenditure shows very little relation to the evolution of fiscal constraints in the Argentinean case. (see 3.1. g)) On the other hand, in my understanding welfare state adaptation is primarily a question of distributing and redistributing resources rather than of the overall quantity of societal resources. Fiscal austerity is not an apolitical contextual fact. Often the same governments that implemented social policy cuts because there was supposedly fiscal need to do so (e.g. the governments of Margaret Thatcher or Gerhard Schröder), effected massive tax cuts that were mainly favouring the well off. In this sense, these governments did not try to cope with “fiscal austerity”, but to redistribute resources from those who saw their social benefits reduced, mostly poor people, to those who hitherto paid the higher tax rates, mostly rich people. Similar examples can be found in Argentina. So for example, excluded the Menem government hundreds of thousands of mostly poor workers from pension entitlements, which was supposedly necessary to make the system financially viable, while the same government radically cut down employer contribution rates. Furthermore, the partial privatisation of the system, which particularly benefited the financial sector, caused tremendous transitional costs, which, however, has not been mentioned in the government's rhetoric about fiscal constraints.

3.2 Historical legacy and the political economy of the Argentinean welfare state

This chapter will analyse central aspects of the historical development of the Argentinean welfare state. Rather than aiming at completeness, I will focus on those aspects that will contribute to a better understanding of why welfare state adaptation has failed after 1975. On the one hand, there is the institutional welfare state legacy, which matters in the sense that it defines the need to reform, and also to a certain degree the economic and political costs of such reforms. Yet, chapter 2.3., where I have classified the institutional setting of the Argentinean welfare state as corporative-informal, has already dealt with this issue in a sufficient way. On the other hand, history has shaped the political economy and the politics of the welfare state. This chapter will

concentrate on these political aspects of welfare state legacy, which, as will be seen in the succeeding chapters, played a decisive role with regard to the failure of welfare state adaptation.

Like in the European corporatist/conservative welfare states, the predominance of the social insurance principle roots historically in a period of authoritarian rule during the late 19th and early 20th century, and has since then been expanded, especially after the Second World War. However, as will be argued, despite the preservation of the social insurance bias, the particular political dynamic associated with the Argentinean welfare state has been decisively modified during the peronist governments of the 1940s and 1950s. As it has been the case with the European corporatist/conservative welfare states, the introduction of social insurances formed part of strategies of containment towards the labour movement, aiming at the division, pacification and deradicalisation of the working class. Later, in the context of democracy and strong Christian democratic parties, the conservative/corporatist welfare state type arguably continued to be part of similar strategies, although conservative authors may prefer to speak of ‘harmonisation’ rather than containment and pacification. Either way, a certain continuity can hardly be doubted. In contrast, peronism marks a profound rupture with regard to the strategic political aims pursued through social policies. While before containment was the aim, Perón used the welfare state to mobilise and politicise the labour movement. Yet, in contrast to the socialist governments of Northern Europe, Perón had little interest in a real empowerment of the working class. The project was about building up massive but controlled labour support for a government that stood ideologically rather on the right. A strong independent labour movement was far from being in Perón’s interest. Rather than empowering the labour movement, the aim was to co-opt it.

In what follows I will argue, that the strategic rupture during the peronist years(1943 – 1955) lastingly reshaped the politics of the Argentinean welfare state. These years have moulded the social policy interests of different groups, and have modified the articulation between social policy actors, in a way that distinguishes the Argentinean welfare state regime from that of most European conservative/corporatist welfare states. During the decades succeeding this rupture, the particular political dynamic associated with the Argentinean welfare state has been perpetuated. As will be evidenced in the consecutive chapters, serious impediments for welfare state adaptation stem from this legacy.

a) The early roots of the Argentinean welfare state, 1823 – 1943

From the early 19th century on, the state became an indirect social policy actor in Argentina, operating via the so called “Charity Societies”(Sociedades de Beneficencia). The first Charity

Society was founded in 1823 by the governor of the Province of Buenos Aires, Bernardino Rivadavia. Although it was a civil society charity organisation and administrated by women of the economic and political elite, it was in big parts financed by the state. For the 'high society' the membership in the Charity Society was a symbol of prestige and a source of legitimisation. The organisation provided social assistance on a highly discretionary basis and often tied the benefits to disciplining conditionalities and moral paternalism.(Moreno 2004: 73 – 76, Passanante 1987: 30/31)

Later in the 19th century, the state assumed a central role in the provision of education, and a minor role regarding health care, mainly concentrating on the avoidance of epidemics.(Isuani 2008: 171/172)

During that time, another form of protection against health risks originated in the civil society. Between the mid-late 19th and early 20th century a multitude of friendly societies was founded. Most commonly these organised around groups of immigrants according to their nationality or religion. They constituted basically networks for mutual aid, and many of them adopted the form of insurance societies that covered health care provision among other things. In 1914, there were about 1,200 friendly societies with over 500,000 members.(Passanante 1987: 66 – 71) Only 7 % of these friendly societies were controlled by trade unions. Nevertheless, the friendly societies laid the foundations for the posterior creation of the social health insurance system, in which the trade unions were going to play the dominant role.(Barbeito/Lo Vuolo 1998: 118)

Until the early 20th century only a very small group of members of the army, and some employees of the public sector, had access to some kind of pension.(Barbeito/Lo Vuolo 1998: 116) The first genuine pension laws date back to 1904 and 1915.(Passanante 1987: 126) The introduction of these pension schemes were initiatives of the government, used as means of containment, division and deradicalisation of the labour movement. At that time, publicly provided pension insurance coverage was not on the agendas of the trade unions. On the contrary, the predominantly anarchist trade unions of that time were very critical of these policies.(Barbeito/Lo Vuolo 1998: 116) As was the case in most European countries, the first to get pension funds were the federal civil servants in 1904, followed by the strategically important railway workers in 1915. According to Aldo Isuani(1985: 122), the introduction of a pension fund for railway workers was as an attempt of the state to reduce the conflicts in this strategically important sector. During 1912, the railway workers had carried out a general strike for higher wages and improvements regarding the work regulations. However, pension insurance was not among the demands of the strike. The introduction of the pension insurance was therefore not a compromise between the state and the labour movement, but the attempt of the former to contain

the latter. For this purpose, the law included an article that provided incentives for workers not to participate in strikes, as it determined that anyone who lost his or her job due to strike activities also lost the right to a pension and all the contributions made until that date.(Isuani 1985: 122 and 2008: 173) During the first democratic period, two further occupational groups with strategic importance were provided with pension systems, utility workers in 1921 and bank employees in 1923.(Lewis/Lloyd-Sherlock 2009: 117) Despite democratic⁸⁸ elections, the oligarchy still exerted hegemonic influence over the state, while the working class was only very weakly represented in it. This had not only to do with the radicalism of big parts of the labour movement, but also with the fact that vast parts of the incipient working class were immigrants that had still not attained political rights.(Isuani 1985: 117/118) In 1939, Journalists, print workers and merchant seaman were provided with pension schemes.(Lewis/Lloyd-Sherlock 2009: 117, Barbeito/Lo Vuolo 1998: 116)

Until the 1940s, the state was firmly dominated by the landowning oligarchy.(Isuani 1985: 117, O'Donnell1977: 530) The labour movement, rather than demanding social policy from the state, principally focussed on wage increases and better work conditions.(Isuani 1985: 122) Up to the First World War, anarchist ideas dominated in the trade union movement. Later socialists, and to a lesser extent communists, increased their influence, eventually becoming the leading currents within the trade union movement during the 1930s.(Hänsch/Riekenberg 2008: 73/74)

Although the Argentinean welfare state has its historical roots in this period, the scope of social policy in pension, health and social assistance remained low until the 1940s.(Isuani 2008: 170 – 174)

b) Import substitution industrialisation and the peronist way of expanding the welfare state, 1943 – 1955

With the rise of peronism during the 1940s, the Argentinean welfare state initiated its expansive phase. As has been mentioned, the political strategy associated with peronist welfare state expansion lastingly moulded Argentinean welfare state politics. To be able to understand this particularity of the Argentinean case, it is necessary to briefly embed the expansion of social policy in a wider historico-political context.

Until the 1930s the development of industries was limited in Argentina. Existing industries were usually associated with foreign capital and mainly processed agricultural products. However, after the economic crisis of the early 1930s, and especially with the initiation of the

⁸⁸ Yet, it has to be considered that women were not allowed to vote and that many immigrants had still not attained political rights, so that in reality only a minority of the population possessed electoral rights.

Second World War, a number of national industries was build up that produced several hitherto imported products. This incipient trend of import substitution was further deepened after the military coup of June 1943, which brought a military group to power that aimed at increasing the autarky of the country through the development of national industries. The consolidation of the import substitution strategy (ISI) propelled the emergence of a national urban industrial bourgeoisie, which was not only relatively independent from foreign capital, but also from the class of big landowners. (Rofman/Romero 1997: 163/164)

Under this military dictatorship Perón led the secretariat of labour. From this post he pursued policies that promoted, among others, income increases for workers. On the one side, this made him very popular in the working class and increased therefore his power base. On the other side, these policies were also supposed to contribute to the strengthening of the national market, something that was considered vital for a successful expansion of national industries. At the same time, the government implemented policies that implied a significant transfer of resources from the agricultural to the industrial sector. (Rofman/Romero 1997: 165/166) By this means, the military dictatorship broke with the long-standing hegemony of the class of big landowners. Beneficiaries of these policies were particularly those industrial sectors that were focussing on the national market, and due to the necessity to enforce the local demand, also the working class. (Birlé 1996: 206 – 210)

The groups benefiting from these policies also constituted the social forces that were going to sustain and defend the model of import substitution industrialisation over the following 30 years. Yet, alliances between the labour movement and parts of the industrial bourgeoisie are not a very common phenomenon, and there is a wide range of material and ideological reasons for which these two sectors are usually adversaries rather than allied forces. To understand this phenomenon, and its consequences for the politics of the welfare state, it is necessary to briefly analyse some features of the class structure of the Argentinean society during that period.

In contrast to most Latin American countries, but also most European countries, the peasantry has historically been only a very small group in Argentina. The majority of the land was concentrated in the hands of relatively few big landowners. Due to the large territory and the relatively small population, the land was exploited extensively rather than intensively. By this means, the aim was not to produce the maximum possible per square footage, but the maximum possible per rural worker, which resulted in comparatively high work productivity. In addition to that, the scarcity of labour, in face of the virtual absence of a poor peasantry, and the high labour demand implied that wages in Argentina were relatively high during the 19th and big part of the 20th century. The high wages had ultimately also the purpose to attract new immigrants from

Europe. When the labour demand of the agricultural sector started to decline during the 1930s, the initiating process of import substitution industrialisation simultaneously increased the labour demand in the industry. Thus, persistently favourable labour market conditions put the working class in a relatively strong position.(O'Donnell 1977: 526 – 531)

For these reasons, the labour movement was potentially a powerful political ally for the construction of a national industry focussed development model. Moreover, the working class and the national market focussed industrial bourgeoisie shared a common economic interest in the strengthening of the local demand. To strengthen the national market real wage increases were necessary, which, for obvious reasons, found support from the labour movement. However, it would have been a kind of a zero sum game if the wage increases were to be financed through the industrial sector alone, as in a protected market employers would have been able to transmit higher wages into higher product prices. At this point, food prices as an instrument for the transfer of resources from the rural to the urban sector came into play. As workers during that period spent a relatively big share of their wages on food, low food prices implied higher real wages and more opportunity for the consumption of other non-agricultural products, something that was not only in the interest of the workers, but also of the sectors of the industry that produced for the national market. In this sense, by implementing measures to keep local food prices relatively low, the government was reducing the returns of the landowners and increasing the prospects of the urban sector, including both the working class and the national industries. During some periods of import substitution industrialisation, the state additionally skimmed a part of the revenue from agricultural exports and used it for infrastructure projects and subsidies, which as well proved advantageous for the industrial sector. Of course, this interest was not shared by the landowning oligarchy, who earned less while food prices were kept artificially low and while the state skimmed a part of their export revenue. Hence, the ISI model provided important economic incentives for a strategic alliance between the labour movement and parts of the national industrial bourgeoisie.

In practice, this alliance found its main expression in the peronist movement and its organisational pillars, the “General Labour Confederation”(Confederación General de Trabajo/CGT), which represented the trade union movement, and the “General Economic Confederation”(Confederación General Económica/CGE), which represented most small and medium size industrial companies.(Basualdo 2001: 39, O'Donnell 1977: 533 – 546)

The welfare state was both, affected by the composition of this alliance, and serving to construct it. As has been mentioned, the peasantry played hardly any significant role in Argentina. Therefore, also during times of democracy, a labour-peasantry alliance, as it was

formed in the Scandinavian countries, was not an option. The existence of a big peasantry provides important incentives for the labour movement to promote universalistic social policies. First of all, a high number of poor peasants, as well as of unemployed workers, increases the benefits of universalistic social policies for the labour movement, as the universal access to a certain minimum standard, and de-commodifying social policies in general, reduce the downward pressure that these groups exert on wages. Secondly, social insurance schemes are not very attractive for peasants. Yet, if labour parties wanted to win the vote of the peasantry in the quest for electoral majorities, they had to propose social protection that would also serve the peasants' interests. On this background, the alliance between labour and peasantry propelled, according to Esping-Andersen(1990: 65 – 68), the introduction of universalistic social policies in Scandinavia. This type of alliance was moreover relatively well compatible with the socialist ideas that prevailed in the European labour movements, as the alliance was built around the solidarity between two underprivileged groups. However, the situation in Argentina was totally different. Neither did the labour movement face the competition of a cheap “labour reserve army”, such as a high number of unemployed or an extensive peasantry, nor was there the option of such an alliance. The peronist alliance instead contained a part of the bourgeoisie, that shared, in the particular case of Argentina, a common interest with the labour movement. Yet, the bourgeoisie had no interest in redistributive tax financed universalistic social policy arrangements. In turn, a social health and pension insurance system, based on occupational group specific stratification, was not the worst option for them. The contribution based financing implied that they could avoid high tax levels, and the occupational group specific stratification relieved them from forced solidarity. The stratification along occupational groups moreover distinguished them from workers in that they had their own insurance funds, which provided higher quality and benefits.

Despite the economic incentives that the ISI model provided, the formation of a cross-class alliance with part of the bourgeoisie, and the implications of this coalition for social and tax policies, somewhat conflicted with the socialist and communist ideas that were dominant in the Argentinean trade union movement at that time. Most trade union leaders during the early 1940s came from either of the two currents.(Doyon 1984: 205, Torre 1989: 546) Well, then, how was peronism able to incorporate the labour movement, particularly the trade unions, into a coalition with a class that usually constituted its adversary, and that hardly served for the implementation of policies based on the principle of solidarity?

Organised labour, and especially trade union elites, have always been confronted with conflicting interests regarding social protection. On the one hand, universalistic tax financed

programmes clearly fitted better with the concept of solidarity and the socialist ideas that, at least during the early 1940s, were predominating in the trade union movement. On the other hand, the control over insurance funds constituted an attractive source of both financial and organisational power.(Esping-Andersen 1990: 68) This potential power resource was of particular interest of those who effectively held power in the unions, the trade union leaders. Yet, where trade unions were democratic and trade union leaders had to compete for the leadership, these could not deviate too strongly from the interests of their rank and file. As has recently been argued, at that time the Argentinean labour market and class structure minimized the strategic advantage for the trade unions' negotiation power that would have resulted from the introduction of universalistic and de-commodifying social policies. While the cross class alliance was unlikely to find consent about a progressive and redistributive tax system, the labour movement was somehow compensated through income redistribution *vía* real wage increases, which were partly financed through transfers from the rural sector. This certainly contributed to the disposition of the trade union leaders, and possibly also part of the rank and file, to deepen a social policy path largely based on social insurances that implied a comparatively low degree of solidarity. Under these circumstances, the control over social insurances was potentially a strong currency for the co-optation of trade union leaders. Yet, if these were to be integrated lastingly into an alliance with a part of the bourgeoisie, and if co-option was to function in the long rather than just the short run, it was necessary to drive a wedge between the trade union leadership and the socialist and communist ideas that hitherto predominated within the trade union movement. Furthermore, co-optation does work best when leaders have large margins of autonomy from their rank and file, as this allows them to a greater extent to pursue personal interests, which usually are of great importance in co-optation processes. Autonomous leaders can more easily be co-opted by offers that do not necessarily benefit the respective trade union as a whole, let alone the working class as a whole, but primarily the leader on a personal level. In the following I will argue, that peronism, in order to secure the support of the labour movement, exactly did what the recently expressed thoughts suggest. The trade union leadership was 'peronised' and socialist or communist stances were repressed. The leaders were furnished with ample autonomy with respect to their rank and file, while they were made increasingly dependent on the state.(Goldin 1997: 122) Thereby, social insurances and the related financial and organisational power resources constituted a key currency for the co-option of trade union leaders.

Since 1943, Perón began to systematically restructure the union movement, a process that reached such a profoundness that the Argentinean trade union specialist and law scholar Adrián Goldin(1997: 20) speaks of a virtual refoundation of the trade union system.

In 1943, hardly 20 % of the urban labour force had been organised in trade unions. (Barbeito/Lo Vuolo 1998: 119/120) Yet, with the support of Perón the trade unions became powerful organisations within very short time. Overall trade union membership increased impressively under Perón's government, from 529,000 in 1945 to 1,533,000 in 1948 and 2,257,000 in 1954.(Doyon 1975: 154/158)

However, the support for the trade union movement was not without costs for the trade unions. Rather than being result of pro trade union believes, Perón saw his relation to the labour movement in pragmatic terms. Indeed, the military dictatorship under which Perón became head of the department of labour was conservative and saw in the uncontrolled labour movement primarily a threat to the social and economic peace.(Doyon 1984: 207) During a first period, the main instrument used by this government to contain the labour movement, although with little success, was repression. A big number of trade union leaders was arrested and their unions put under inspection of the state. However, the movement seemed not to be disposed to relinquish their strike activity. It was Perón's idea to complement the strategy of repression with that of selective rewards, transforming thereby a predominantly hostile relation into one of carrots and sticks and divide and rule. Rewards were conceded to those unions that were disposed to give up militant positions and demands that conflicted with the interests of the government. So, for example, did the railway workers' trade union receive subsidies for their hospitals and a lowering of the repressive measures against the union, other unions received government support in collective wage bargaining, while again other unions faced repression as they were not willing to subordinate, and so on. At the same time, Perón promoted several measures that strongly improved the life quality of the working class as a whole. Perón's disposition to reward parts of the labour movement have also been related to his ambitions to increase his personal power by building up a support basis outside the military, and ultimately to become presidential candidate after a future return to democracy. However, adversaries within the military saw Perón's relation to the labour movement with increasing suspicion. In 1945, these critics finally achieved his arrest. Yet, Perón had not only progressed towards taming the unions, he had made them powerful supporters. Shortly after his arrest the CGT organised mass demonstrations demanding the liberation of Perón. Finally the government had to give in to these demands. The forced liberation decisively weakened Perón's adversaries within the military, which enabled Perón to assume a leading role again, and finally to assert himself as the regime's candidate for the presidential elections in 1946. With the support of a majority of the working class vote, Perón became elected president against a broad coalition that included besides parties of the right and the centre also communists and socialists.(Cramer 1999: 302 – 308, Torre 1989: 539)

Once president, Perón deepened his strategy of expanding and centralising the trade union movement, at the same time that he pushed its co-optation forward.(Mainwaring 1982: 515, Torre 1989: 547) His government regulated the trade union system according to its political needs. The state was thereby furnished with ample faculties to intervene into the union life, which largely persist until today. So, for example, could the state control the statutes of the unions, decide which union was allowed to conduct wage bargaining in each sector, resolve disputes between trade unions about areas of representation, supervise internal elections, suspend the right to undertake wage bargaining, and so on. The trade unions themselves became strongly centralised and hierarchical under Perón. The monopoly of one trade union per sector and the lack of internal democracy made trade union elites highly autonomous of their own rank and file. They neither faced internal competition via democratic mechanisms, nor external competition via competing trade union organisations.(Goldin 1997: 21 - 25) While usually union internal democracy serves as a means to guarantee the representation of the rank and file's interests through its elected leaders, the trade union system installed by the peronist government made union leaders highly independent from the preferences of their rank and file. Participation in union elections was mostly very low. This may had to do with the fact that workers usually did not have any real choice in these elections, as vote was by list, and there were no oppositional lists in the majority of the cases. Moreover, the manipulation of the results was a very common feature of these elections. The privileged position of union leaders at the top of the bureaucratic hierarchy facilitated them to control internal media, election processes, financial resources, and so on, which obstructed the formation of oppositional lists.(Torre 1974: 534 – 539) An empiric study of Juan Carlos Torre(1974: 539 – 542), referring to the years 1957 to 1972, shows that changes in the trade union leadership of the 25 biggest trade unions have hardly ever been the result of union elections. In contrast, several union leaders lost control over their unions due to state intervention. For this reason, union leaders were barely forced to represent the interests of their rank and file. Their survival in office depended much stronger on processes that occurred within the trade union elite or between the leaders and the state. According to Adrián Goldin(1997: 25/26) this situation has hardly changed during the following decades. Under these circumstances, the trade union elite was separated from its former socialist and communist influences and converted into an integral part of the peronist movement and the alliance that sustained the ISI model.

According to Hänsch and Riekenberg(2008: 77), classical conservative ideas and the influence of the catholic church had some influence on the social policy programme of the military government between 1943 and 1945. Yet, the recurrent theme leading Perón's social

policy agenda was rather pragmatic: the co-optation of the labour movement. Finally, during the 1950s the relation between Perón and the catholic church became even openly conflictive. The social insurance system formed an essential part of the established relationship between the state and the trade unions. As has been said, the trade union leaders had strong interests in the control over the social health insurances. While some trade unions, like for example the railway workers' union, maintained a kind of social insurance in form of a friendly society, the majority of the members of friendly societies were affiliated to trade union independent organisations. (Barbeito/Lo Vuolo 1998: 118, Belmartino 2005b: 127/128) The railway trade union is a very good example, as subsidies for the trade union's health facilities constituted the main component of the deal with which Perón negotiated the political support of the union. (Belmartino 2005b: 127/128/132, Cramer 1999: 302 – 308) The overall importance of the health insurance system in co-opting trade union leaders becomes clear if we remember that before peronism only a small minority (around 7 %) of friendly society affiliates belonged to union controlled societies, while afterwards trade unions passed to control the majority of affiliates⁸⁹. (Barbeito/Lo Vuolo 1998: 118) For the government, the union control over most of the health insurance funds constituted a handy instrument for sticks and carrots tactics. These often implied extra resources for social health insurances of union leaders that were loyal to the government, whereby these were able to offer their rank and file privileges that finally consolidated the respective trade union leader's position, while critical leaders ran danger of being eventually replaced, as without state support they were neither able to achieve comparable successes in wage bargaining nor were they able to offer the privileges that other social health insurances were offering. These privileges were not restricted to health care provision, but frequently included cheap holidays, subsidised credits, and so on. (Passanante 1987: 128) The lack of regulation allowed trade union elites high degrees of discretion in the administration of the health insurance funds, so that resources could easily be misused for very personal political and economic interests. (Belmartino 2005b: 132) In this sense, a largely trade union controlled, occupational specific social health insurance system was a pragmatic decision of the Peronist government. It did not only contribute to forge a more or less stable alliance between two classes that are commonly adversaries, but it also enabled the government to drive the wedge further between the trade union elites and the socialist ideas that had formerly prevailed in the trade unions. From that point on, the expansion, or at least the preservation, of the health insurance system constituted one of the primary interests of the trade

⁸⁹According to María Ines Passanante (1987: 140), 65.8 % of the affiliates were members in trade union controlled health insurance funds in 1976.

union elites. As will be seen later, all attempts to reform the system against their interest largely failed during the following decades.(Belmartino 2005a: 112, 2005b: 132)

Also the pension insurance system was expanded rapidly from 1944 on. Trade unions were given participation in the administration of the funds, although in a more limited way than in the health insurance system.(Isuani 2008: 174 – 176, Passanante 1987: 126) In 1944 the “National Pension Institute”(Instituto Nacional de Previsión Social) was created, but the pension funds continued to be organised in line with occupational groups.(Passanante 1987: 126/127) The same year shop workers were included in the system, followed by industrial workers in 1946. In 1954, rural workers, university teachers, self-employed, managers and entrepreneurs got pension schemes. The peronist government furthermore switched the modus operandi of the pension system from capitalisation to pay-as-you-go financing.(Isuani 2008: 175)

Simultaneously with the expansion and reorganisation of the social insurances, some sectors of the peronist government supported the construction of a universalistic public health care system. In 1943 the “Public Health and Social Assistance Office”(Dirección Nacional de Salud Pública y Asistencia Social) was created, which integrated the Charity Society, including their health care facilities. In 1946, the public health office got the status of a ministry. It was presided by Dr. Ramón Carrillo who pushed towards a further expansion and centralisation of the public health sector.(Passanante 1987: 129/130, Barbeito/Lo Vuolo 1998: 118) During the 1940s and 1950s the state developed a relatively broad network of publicly funded hospitals and smaller health care facilities. The ministry of health was the driving force behind this expansion.(Lloyd-Sherlock 2006: 357) The parallel existence of a universalistic public health sector and a social health insurance sector implied a certain rivalry. While most trade unions and the private health care providers supported the social health insurance system, the poor, but also low earning trade union sectors, supported the public health system.(Passanante 1987: 142) Yet, the poor had support from the health system technocrats of that time. On international level the idea prevailed that a unified and universalistic state run health system would be the most efficient solution. (Belmartio 2005a: 105) This rivalry found its expression on ministerial level between the ministry of health on the one hand, and the ministry of labour and welfare on the other, which pursued the expansion of the union controlled social health insurance system.(Lloyd-Sherlock 2006: 357) While the former was influenced by positions that prevailed among health sector technocrats of the time, the latter represented the pragmatic side of peronism, recurring to social policy as a means of incorporating trade unions into the peronist movement.(Belmartio 2005a: 105, 2005b: 127/128)

Another area where the ministry of labour proved capable of mobilising support for the government was social assistance. Until 1943 the state participated mainly in an indirect way in the provision of social assistance through the Charity Society. Only with the rise of peronism the state expanded its own activity. In 1943 the Charity Society was integrated into the public health and social assistance office and short time later tied to the ministry of labour.(Moreno 2004: 78/79, Passanante 1987: 130/131) The transfer of the responsibility for social assistance policies from the public health office to the ministry of labour was more than just an organisational decision. As has been said, while the former ministry was inspired by the universalistic ideas prevailing in technocratic circles of the health sector, the latter was rather pragmatic and adapted its actions according to the political necessities of the peronist project.(Belmartino 2005a: 105/106) In 1946, the government intervened in the Charity Society and finally resolved it in 1948. Most of its functions passed to the new “Eva Perón Foundation”(Fundación Eva Perón), which was led by the president’s wife. This foundation continued with several aspects of the modus operandi of the “Charity Society”. The funds came predominantly from the state and the assignation of social assistance was handled discretionary.(Moreno 2004: 78/79, Passanante 1987: 130/131) Like the former Charity Society, Eva Perón did not pursue the establishment of social rights. Each case was dealt separately and arbitrarily. While the social security systems for formal workers massively expanded with peronism, social assistance policies for the hardly organised groups outside the formal labour market remained highly residual.(Cramer 1999: 301) Yet, while the Charity Society’s paternalism was primarily of moralistic nature, the actions of the Eva Perón Foundation were led by the political aims of the peronist government.(Golbert 2008: 27/28) By this means, social assistance became an important instrument of political clientelism, which, as will be seen later, it constitutes until today. Yet, the use of state resources for the clientelistic mobilisation of voters and political supporters was not new. The first democratic Argentinean governments(UCR) between 1916 and 1930 already extensively used state resources to redistribute jobs, medical and legal aid among their supporters via local party leaders in the neighbourhoods.(Hänsch/Riekenberg 2008: 79/80)

Not only were social assistance policies for the poor highly residual and discretionary, but also formal workers lacked any kind of unemployment insurance. Very likely the long-standingly favourable labour market situation contributed to the assessment that unemployment was a temporal problem that could be tackled through the regulation of severance payments and job stability.(Barbeito/Lo Vuolo 1998: 179 – 183, Lo Vuolo 1998b: 240) Based on this assessment the universalisation of social protection was pursued indirectly via the

universalisation of formal employment and the incorporation of the core family into the social insurance of the working head of household.(Lo Vuolo 1998a: 35)

In difference to most industrialised countries, but also in contrast to most countries with similar level of development(Melo 2007: 115), redistributive policies in Argentina were scarcely pursued through fiscal means, such as progressive taxation and income transfer programmes. The central instrument with which the Argentinean state intervened in the distribution of incomes was active wage policy making, which ranged from exerting influence on the process of collective wage bargaining to actually fixing nominal wages. These policies were furthermore combined with other measures to sustain the real value of wages, like price controls for so called “wage goods”⁹⁰(mainly food), subsidies for manufacturing industries, protection of national industries against imports and an overvaluation of the national currency⁹¹.(Barbeito/Lo Vuolo 1998: 182/184, Foders/Glismann 1985: 171)

c) Political instability and the perpetuation of the welfare state, 1955 – 1976

Between 1955 and 1976 the political system of Argentina has been highly unstable. Military dictatorships alternated with periods of, mostly restricted, democracy. However, the welfare state has been perpetuated during this period, and its main institutional and political characteristics have been consolidated.(Barbeito/Goldberg 2007: 188, Barbeito/Lo Vuolo 1998: 149) To better understand this contrast between government instability and welfare state stability it is necessary to embed both in the wider historico-political context. Despite the fact that after 1976 this context changed quite significantly with the abandonment of the ISI strategy, an understanding of the consolidation process of the political patterns associated with the Argentinean welfare state importantly contributes to an explanation of why welfare state adaptation failed during the following 35 years.

Perón’s strategy was impressively successful with regard to making the PJ electorally dominant. Between 1946 and 1983 the peronist party did not lose any free election. The electoral dominance was so strong that even when the military government, that overthrew Perón and prohibited his party, called for elections of a constitutional assembly, peronism reached the

⁹⁰ They are called “wage goods” because wage earners spend big parts of their income on them.

⁹¹ In 2.1. I have argued that the overvaluation of the currency in the context of trade openness had severe negative impacts on wages in the medium and long run. However, during the period of import substitution industrialisation importation was strictly limited. In this context, overvaluation served as a means to keep exportable goods relatively cheap on the national market, which had positive effects on the real value of wages. This is especially true if we consider that the main export good of Argentina has been food, which at the same time constitutes a big part of workers’ consumption.

biggest quantity of votes in form of spoiled ballots.(Golbert 2008: 30) Yet, electoral dominance was not enough to keep peronism in power. Why has this been so?

Guillermo O'Donnell(1977: 531 – 546) provides a very interesting analysis of the instability of the political system during this period. While electorally dominant, the peronist cross-class alliance had economically and organisationally very powerful adversaries. The hitherto dominant class of big landowners, and particularly their most powerful organisation the “Argentine Rural Society”(Sociedad Rural Argentina/SRA), were permanently opposing the ISI model and demanding a more liberal export oriented course. In practice, their most common demand was currency devaluation as this would have increased their export revenue and led to a rise of local food prices, thereby reverting the rural-urban resource transfer. Furthermore, the cross-class alliance included, besides labour, mostly small and medium size industrial companies that produced for the local market and had low participation of foreign capital, while the biggest companies did not organise in the CGE but in the “Industrial Union of Argentina”(Unión Industrial Argentina/UIA). The pendular positioning of the most concentrated and internationalised business sectors, principally represented through the UIA, implied that neither of the two opposed power blocs was able to lastingly establish a dominant position⁹². During democratic times the peronist alliance proved more influential, while during military dictatorships the latter group was able to stronger impose their will. However, the standoff was virtually permanent, so that also the military dictatorships experienced severe restrictions due to massive waves of strike activity and factory occupations, while the (semi)democratic governments of Frondizi(1958 – 1962) and Illia(1963 – 1966) had to comply with several demands of the military, such as the prohibition of the peronist party or the currency devaluation effected in 1959.(O'Donnell 1977: 531 – 546)

The situation of a permanent power standoff and political instability implied that neither of the governments following the overthrow of Perón in 1955 was able to completely impose their interests. In the absence of free elections, which was the case during most of the period, voter preferences became less important, while governments had to be increasingly sensible to the interests of the strongest organised groups, as in a virtual situation of standoff these were easily able to destabilise the respective government.(Golbert 2008: 43) Under these circumstances, the expansion of social insurance schemes served as a key instrument for the containment of trade

⁹² The reasons for the pendular positioning of the UIA are very well explained in Guillermo O'Donnell's text "Estado y alianzas en la Argentina, 1956 – 1976"(1977). Basically this sector pursued its short term interests, which, depending on the situation of the balance of payments, rather coincided with the landowners' call for currency devaluation at one time, or with the CGT and CGE's call for a reactivation of the national market at another time.

union resistance. Weakly organised groups, such as for example the poorer sectors, were hardly able to influence social policies, which further deepened the insider-outsider divide already inherent to the welfare state.

After the government of Perón was overthrown by a military coup in 1955, the Eva Perón Foundation was immediately closed. Although it was replaced by a return to the Charity Society, the following dictatorial government showed little interest in social assistance policies, reducing social assistance expenditure to a minimum.(Golbert 2008: 27 – 30) Also the financing of the universalistic public health sector was scaled back significantly.(Lloyd-Sherlock 2006: 357)

While the weakest groups clearly faced an exacerbation of their already poor social protection, organised labour obtained several important social policy improvements in the face of a wave of strikes and factory occupations.(Golbert 2008: 30, Lloyd-Sherlock 2006: 357) So, for example, in 1957 the military government introduced family allowance funds, which were based on the social insurance principle.(Barbeito/Lo Vuolo 1998: 123) The government also increased pension coverage and renewed collective agreements. With the constitutional reform of 1957, the government even included a wide range of social rights for workers into the constitution.(Golbert 2008: 30) With the incorporation of the domestic servants in 1956, virtually all occupational groups were theoretically covered by the pension system.(Lewis/Lloyd-Sherlock 2009: 117) Although, the number of affiliates to the pension system rose to 4,892,000 in 1954, real coverage never reached universality, due to the persistence of an important informal sector and widespread evasion.(Lewis/Lloyd-Sherlock 2009: 116) In 1958, the government of Arturo Frondizi(UCR-I) fixed ordinary pension levels at 82 % of the wage during the last years immediately before the retirement.(Barbeito/Lo Vuolo 1998: 121) Pension increases were matched with the wage levels resulting from collective agreements in each occupational group. The system was relatively complex due to the high number of collective agreements, yet, it increased the unions' influence, as these were directly negotiating pension adjustments through collective wage bargaining.

Initially, the pension system produced surpluses due to the favourable relation between working and retired population. These were frequently used for other types of public expenditure. However, the high replacement rate and the deterioration of the relation between contributors and beneficiaries implied that already during the mid 1960s pension funds ceased to make surpluses.(Barbeito/Lo Vuolo 1998: 121, Cetrángolo/Grushka 2008: 12)

During the years 1968 and 1969 the military government in power at that time introduced a single wage coefficient that was applied for the indexation of all pension benefits. Replacement rates were fixed at 70 % – 82 % of the average of the three years with the highest wage within the last ten years before retirement, depending on the number of years worked.(Arza 2009:

14/18) Simultaneously, the fragmented system was unified into three big funds, yet, several groups preserved privileges regarding the retirement age, contribution and replacement rates. (Barbeito/Lo Vuolo 1998: 159, MTEySS/SSS 2003: 14) The reform also reduced the influence of trade unions on the system.(Isuani 2008: 176)

In the health sector social insurances became increasingly dominant after 1955, while the public health sector suffered underfunding and a deterioration of its services.(Lloyd-Sherlock 2006: 357) Particularly the recurrent authoritarian regimes resorted to a strengthening of the social health insurance system in order to contain trade union resistance or to co-opt their leaders. The health insurance system became thereby one of the main points of articulation between consecutive governments and the trade union movement.(Belmartino 2005a: 108, Golbert 2008: 30, Lloyd-Sherlock 2006: 357) In 1970, the military government of Juan Carlos Onganía consolidated and expanded the system of social health insurances by making affiliation obligatory for all salaried workers and by defining fixed contribution rates. The law also consolidated the trade unions' control over these funds. Both, trade unions and private health service providers, which were usually contracted by the social health insurances, were strong supporters of the law.(Barbeito/Lo Vuolo 1998: 124/125) On the one hand, this shift of resources coincides with the predominantly 'eficientistas'(O'Donnell 1977: 524) ideologies of the dictatorships. They preferred social insurance arrangements over universal provision, as the former took personal 'merits', at least to a certain degree, into consideration. On the other hand, organised labour has been very powerful during these decades, while the beneficiaries of public health provision lacked power resources.(Golbert 2008: 43) Shortly before the implementation of the social health insurance law there had been a massive uprising in the industrial city of Córdoba. The fortification of trade union control in the health sector, moreover, somewhat compensated the anterior pension reform, which reduced the influence of the trade unions.(Isuani 2008: 176) As will be shown later, also between 1976 and 2010, the health insurance system was one of the key instruments for governments in the negotiations with trade union leaders.

In 1973, the PJ was allowed to participate in the elections after the fall of the anterior dictatorship. Shortly after Héctor José Cámpora(PJ) was elected president, Juan Domingo Perón returned from exile, which caused Campora to dissolve the government and call for presidential elections again, which hence Perón won with ample majority. The heterogeneous PJ party was strongly divided between left and right at that moment, which even led to violent excesses and assassinations between the two groups. Perón sided with the right wing of the party. With the support of the government, the conservative wing of the trade union movement achieved the

replacement of most left wing trade union leaders, among them famous leaders and participants of the uprising in Córdoba 1969, such as Augustín Tosco and René Salamanca.(Munck 1998: 52)

The attempt of the peronist government to create one universal public health system during the 1970s failed due to the resistance of the trade unions, which were reluctant to give up the control over the health insurance system.(Passanante 1987: 143) Also the private health sector was strongly opposed to the introduction of such a system, as it benefited strongly from the contracts with the social health insurances.(Barbeito/Lo Vuolo 1998: 126) In the end, the trade unions could not only impede the introduction of one universalistic health system, but were even able to achieve an increase of employer contributions from 2 % to 4.5 % of the wage in 1975. (Barbeito/Lo Vuolo 1998: 126/337) When the trade union leaders' personal interests were at stake, they seemed to be disposed to even oppose a government that they considered their own, as it was of the peronist party. The fact that the trade unions were dominated by a very conservative leadership during that period may have further lowered their disposition to reform the health system towards more equity, as long as this implied a loss of personal power.

How central the personal interests of the trade union leaders had become for the actions of the union movement as a whole can be illustrated by another example. During the mid 1960s, the government of Arturo Umberto Illia(UCR-P) tried to strengthen union internal democracy. Trade union leaders saw in these attempts a clear threat to their very personal power base. Although these reforms would have potentially served the workers' interests, as their leaders would have been forced to be more sensible to the preferences of the rank and file, the trade unions resisted fiercely, which ended up with the occupation of over 11,000 factories between the 21st of May and the 24th of June 1964.(Golbert 2008: 36, Torre 1974: 536) As will be seen later, another UCR government during the 1980s tried to democratise the unions, however, also failed due to union resistance.(McGuire 1997: 191 – 192)

d) Historical legacy and welfare state adaptation failure

History has shaped the political economy and the politics of the Argentinean welfare state in a way that poses until today serious impediments for welfare state adaptation.

I have argued that the consolidation of the social insurance principle and the lack of wider solidarity in the Argentinean welfare state have been part of the peronist co-optation strategy and the inclusion of the labour movement into a cross-class alliance with a fraction of the national bourgeoisie. In the particular historical context it was somewhat rational for the working class to join peronism, and to embark on the mentioned social policy path. The peronist government decisively improved the average worker's life quality, and the long-standingly favourable labour

market situation seemed to minimise the advantages for the labour movement that would have resulted from more universalistic social policies.⁹³

However, this historical context changed profoundly after 1975. The abandonment of the ISI model led to the dissolution of the cross-class alliance that had sustained it, so that organised labour was theoretically able to look for new allies and to realign their social policy goals.

As has been shown in chapter 2.1., the labour market, and with it the socioeconomic composition of the society, also changed profoundly after 1975. Under the new circumstances, the heavy social insurance bias of the Argentinean welfare state became increasingly disadvantageous not only for the rising number of unemployed and informal workers, but also for the formal workers themselves and the negotiation power of the trade union movement. At the same time, these developments decisively increased the benefits for organised formal labour that would result from more universalistic social policies and an alliance with the increasingly numerous sector of poor and informal workers.

Nevertheless, as will be shown, organised labour did not realign. Quite the contrary was the case. So, for example, did the trade union movement block attempts to restructure the health system in a more equitable and universalistic way.

This failure of organised labour to realign, is to an important part the product of the historico-political legacy from the first peronist governments and its consolidation during the following decades. Due to the hierarchical and undemocratic structure that the trade unions had attained during that period, most trade union leaders had become little sensible to changes in the 'objective' interests of their rank and files, as long as these did not coincide with their own very personal interests. The same undemocratic structures, moreover, perpetuated the trade union leaders' disposition for co-optation. While during the first peronism trade union leaders and their rank and files seemed to have both benefited from the "reward" received in the co-optation process, at least in short-run economic terms, after 1975 these rewards were increasingly to the exclusive benefit of trade union leaders, even often contradicting diametrically the interests of the rank and files.

As the trade unions' participation in the pension system has always been more limited, and was further reduced during the late 1960s, path dependency appeared to be significantly lower with regard to pension policies, despite the usually strong vested interests associated with them. Furthermore, these vested interests have possibly been weaker in the Argentinean case than in many European countries, due to the relative institutional instability of pension arrangements

⁹³ Under similarly favourable labour market conditions also the relatively strong Australian labour movement showed little interest in universalistic social policies during that period.(Esping-Andersen 1990: 66)

during the 20th century(Lewis/Lloyd-Sherlock 2009), which potentially impeded the development of sufficient trust into the system, so that many affiliates may have simply accepted that having contributed to the pension system did not determine the right to perceive a previously known return one day. The recurrent periods of economic crisis and high inflation, which frequently changed the real values of the pension benefits, very likely contributed further to the comparative weakness of vested interests in the Argentinean pension system.

The virtually complete incorporation of the trade unions into the peronist movement(Grewe 1996: 197), and the establishment and consolidation of a conservative trade union leadership, have weakened the preference of the labour movement for the unity of all subordinated classes inherent in most left ideologies. The peronisation of the working class furthermore hampered the establishment of significant left parties that would have favoured welfare state adaptation for ideological-egalitarian reasons.

A power standoff between capital and labour arguably provides incentives for the creation of tripartite negotiations between capital, state and labour in order to reach stable governability. Yet, the particular composition of the power-blocs in Argentina, and the pendular positioning of the most concentrated parts of non-agricultural capital, led to a extreme instability of the political system and the crystallisation of patterns of bilateral negotiations of social policies, exacerbating particularistic tendencies and opening ample margins for clientelistic practices.

Another important legacy from the past is that big parts of the Argentinean welfare state bureaucracy have never been professionalised and never gained autonomy. Especially social assistance administrations have been highly volatile, politicised and lacking effective regulation. Social assistance programmes were usually short-lived and frequently replaced through new ones, especially when governments changed. By this means, governments assured that the administrations of social assistance programmes were dominated by their supporters, which facilitated clientelistic practices. Also the social health insurance system impressed through its lack of effective regulation. The margins for the misuse of resources have been extraordinarily high and accountability very low. Yet, the lack of regulation formed part of what made this welfare state institution so valuable for trade union leaders. As well other areas like the public health system have proved highly vulnerable to forms of clientelism, such as the provision of jobs for political support.(Lloyd-Sherlock 2005: 1894/1897) This lack of regulation and bureaucratic autonomy is product of, but also reproduces and perpetuates, the politicisation of the welfare state and the modus operandi of significant parts of it in line with bilateral, and often personalised, negotiations about political support, rather than clear criteria.

As will be argued later, the clientelistic and co-optive dynamics of the Argentine welfare state politics considerably weakened the capacity of the would-beneficiaries to propel processes of welfare state adaptation, while at the same time they provided important incentives for incumbent politicians to avoid the establishment of genuine rights for the increasingly numerous group of those who were excluded from the social insurance systems.

3.3 The distribution of power resources in the politics of welfare state adaptation failure

The last chapter has shown that the distribution of power resources between different social forces, as well as the particular strategic coalitions between distinct forces, had important influence on the evolution and consolidation of the Argentine welfare state. Ernesto Aldo Isuani (1985: 7 – 22) compared the Argentinean state in one of his analyses with an arena within which different social forces struggle for their interests. The state can theoretically be dominated by one particular social force, although the author opines that this is relatively unlikely, especially during democratic times. Nevertheless, also during times when one social force or class seems to dominate the state, for example in form of an authoritarian government, the state can rarely be indifferent with regard to strong opposing social forces, which ultimately means that the apparent dominance is in reality restricted. As has been seen in the last chapter, military governments that were largely hostile to the labour movement implemented several social policies in face of rising strike activity, which was not only threatening the stability of the government itself, but also the economic interests of those social forces that were sustaining it. In this sense, it depends decisively on the distribution of power resources which interests are in what way, and to what degree, reflected in the welfare state.

Although the two issues are unavoidably intertwined to a large degree, the aim of this text is not to deliver a comprehensive political explanation of the Argentinean welfare state as a whole, but to explain why welfare state adaptation has failed after the abandonment of the ISI strategy. For this reason, it seems useful to start with a look at Argentina's social structure during the period of study, and a theoretical discussion of the different social groups' interests with regard to welfare state adaptation. In the discussion of these interests the transformation of the labour market and the socio-economic changes discussed in 2.1. are of key importance, as it can be assumed that these have decisive influence on group or class preferences. The class structure and the theoretical interests of social classes matter, as they will ultimately form the bases that give origin to the main social forces involved in welfare state politics. Yet, the structure of classes and

their interests are not necessarily a 100 % mirrored by the social forces that emerge from these. It can be assumed that the more democratic these social forces organise, the better, and the more directly, will they represent the interests of the class(es) that form(s) their basis. Yet, the organisations of the Argentinean labour movement can, for the reasons discussed in 3.2., be considered relatively undemocratic, which means that they possibly represented to a lesser degree the social policy interests of the working class than it has been assumed in the majority of the comparative studies that examined working class power influence on welfare states in western countries. Therefore, it is necessary to direct our attention also to the way in which the social forces organise. Furthermore, different social forces formed coalitions in many countries to increase their chances of influencing (social) policies. In turn, the composition of these coalitions can have important impact on the kind of influence they exert on the welfare state, which is why also this aspect has to be considered with regard to the Argentinean case of welfare state adaptation failure. In a next step I will try to approximate the changes that occurred after 1975 in the distribution of power resources between the different social forces, as this will ultimately impact upon their capacity to influence welfare state reform. On this basis, the text will chronologically analyse the role of power resources in the politics of welfare state adaptation failure after 1975.

a) Class structure, social forces and welfare state adaptation failure in Argentina

Power resource centred approaches have put central emphasis on working class power. Employers have usually been seen as the opposed social force, however, they have received much less analytical attention.⁹⁴ Besides these two central groups, farmers and middle classes have also been considered, often with regard to alliances between these and one of two first mentioned classes.(e.g. Walter Korpi 1983/1998, Olsen/O'Connor 1998, Gøsta Esping-Andersen 1990, Huber 1996) In Argentina, salaried employment is the dominant form of employment. The

⁹⁴ Peter Swenson has criticised the power resource theory for mainly focussing on working class power, yet, ignoring the often active role of employers in the making of welfare states.(1991: 513 – 515) Walter Korpi(2006: 167- 172), one of the principal developers of the power resource theory, contested to these critiques stating that one of the key differences between employer centred theories and the power resource approach lies in that the former argue that employers adopted pro welfare state stances in certain contexts, so for example in Sweden, while the power resource theory assumes that employers are generally rather hostile, or at best indifferent, with regard to ample and universalistic welfare state development, so that the key actor remains the working class. In the Argentinean case it seems that employers, and in particular international creditors, played a somewhat active role, however, using their influence to shape the welfare state little redistributive, highly meritocratic and exclusionary.

share of wage earners within the working population has been high, and also more or less stable, during the period of study(1976 – 2010).(Beccaria/Groisman 2009: 110/133) In the fourth quarter of 2009, 75.3 % of all working Argentines were wage earners.(INDEC database) As has been argued earlier, farmers have historically been a very small group in Argentina. The extraordinarily high urbanisation rate of 93.1 % of the population in 2010 reflects this.(CELADE database) According to data of Fernando Groisman and Luis Beccaria(2009: 110/133) the share of the non-salaried working population, namely the self-employed and employers, has oscillated between 22.4 % and 27.4 % between 1974 and 2005. Yet, around 80 % of these have been categorised informal employment, and only about 20 % have been professional self-employed workers(with higher education) or formal employers. Therefore, most of the self-employed can be allocated in the lower social strata. Of course, also salaried labour is not homogeneous. As have the income inequalities within the society as a whole, the inequalities within the salaried population have been increasing after 1975. Moreover, the breach between formal and informal employment has been growing rapidly, particularly during the 1990s.(See figures 12 and 13 in 2.1.) As has been shown in 2.1.(see figures 8 and 9), informality is not limited to the self-employed, but has been constituting an increasing share of the wage earners as well. On this basis three groups of wage earners can be distinguished. A rapidly growing group after 1980 have been the informal wage earners, who constituted 36 % of all wage earners in the second semester 2009(SEDLAC database), usually received very low pay and were excluded from the social insurance schemes. The majority of formal wage earners, whose incomes have also been decreasing significantly after 1975, disposed usually over higher income than informal workers and possessed social insurance coverage in contrast to the former. A third, relatively small group with usually high levels of education in certain areas has been clearly benefiting from the labour market changes, received high wages and was by obligation included into the social insurance system.(Beccaria/Groisman/Maurizio 2009: 11 – 38, Groisman/Beccaria 2009: 92 – 155)

From these divides in the social structure originate the main social forces that interact in the politics of the Argentinean welfare state adaptation failure. A first social force originates from the lower income strata of the society, which include the vast majority of the unemployed, the informal wage earners and the informal self-employed, as well as some informal employers and other poor groups. For convenience I will refer to these strata as “informal labour” or “the poor”. The social force that originates from the poor is not one organisation, party or confederation, but a diffuse multitude of (mostly local) organisations and smaller parties with different forms of action. The majority fraction of the trade union movement, in contrast, does not represent these groups, not even those parts of the poor that work as informal wage earners. According to

Adriana Marshall and Laura Perelman(2008: 8), registered employment constitutes in practice an “indispensable requirement for union affiliation” in most Argentinean trade unions. The trade union movement can be considered the main expression of the social force originating from formal labour. The unionisation level among manufacturing workers has been estimated very high at about 70 % in 1990 and 66 % in 2001.(Marhall 2005: 25) If only the unionisation among formal workers would have been considered, the number had resulted even significantly higher. Although, the PJ party has been often characterised as a labour based party, the PJ was historically the expression of the alliance between labour and a part of the industrial bourgeoisie, that is, it has not been a classical labour party with regard to the main pillars of their (non-electoral)power. Even less has the PJ been a labour party from an ideological point of view. Yet, as the PJ has traditionally concentrated the vast majority of the working class vote since 1945, there is no other party with significant influence over a longer period that could be considered a genuine labour party. Therefore, and for the reason that democracy has been fragile during most of the 20th century, the power of formal labour depended more on the capacity of the trade unions to influence the agenda of PJ and non PJ governments, rather than guaranteeing the consideration of labour interests by bringing a labour party to power. This importantly distinguishes the Argentinean case from most of the western countries, where power resource theory studies have put much emphasis on cabinet and parliament shares of labour parties.(e.g. Korpi 1983, Esping-Andersen 1990) The high income groups among the wage earners, as well as the professional self-employed workers, are usually not dependent on the results of wage bargaining and are often not affiliated to trade unions. These groups are weakly organised and seem to pursue their interests mainly on an individual level. The employers, in contrast, form another important social force in the politics of the welfare state. This sector is represented by several different associations and confederations.

What interests with regard to welfare state adaptation have the three principal social forces interacting in the Argentine welfare state politics been pursuing after 1975?

Informal labour, including the unemployed and other poor, had very strong interest in welfare state adaptation. This growing group remained largely marginalised in a welfare state that had virtually been exclusively designed for those who had stable employment in the formal sector. First of all, this group aspired being included in the welfare state, getting access to core social rights such as decent health care, pensions, income maintenance during periods of unemployment or precarious employment, family benefits and day care provision. As informal labour has been located at the very bottom of the income scale, and as important parts of it have been self-employed or unemployed, little redistributive job-linked social insurance schemes were

neither accessible nor beneficial for this group. The poor had therefore a strong interest in a more redistributive welfare state that would countervail the increasing income inequalities. Chapter 2.2. has shown that these demands had little success. The poor still remain largely excluded from the welfare state, and both the welfare state and the tax system preserved their regressive characters.

The aim of a progressive welfare state adaptation has not been shared by most of those who were benefiting from the increasing concentration of incomes (and possessions) after 1975. The beneficiaries included some parts of the well educated wage earners as well as of the professional self-employed workers. Yet, the main social force pressuring against a more redistributive and inclusive welfare state have been the employers.⁹⁵ Not only has the latter group been decisively better organised, it has also been the biggest beneficiary of the bottom-to-top income redistribution that took place after the mid 1970s. As figure 14 in chapter 2.1. shows, the higher the income, the higher was also the relative increase after 1975. Some scholars have argued that employers support welfare state expansion under certain circumstances, so for example if they believe that it contributes to economic growth, imposes costs on competitors, socialises costs of firm benefits or helps to avoid labour conflicts. (resumed by Swank/Martin 2001: 891) There is certainly some truth to these arguments. However, in the Argentinean case employers achieved the limitation of labour conflicts by “cheaper” means, such as the reduction of employment protection in the context of high unemployment and the co-optation of trade union leaders. (e.g. Cortes/Marshall 1999: 208, Lindenboim et al 2005: 5/6) In the context of trade and financial market openness, the prevailing interpretation was not that social protection would create growth, but that it would hamper it. (See 3.1.) While it is true that some social policy arrangements may benefit one competitor and disadvantage another, these particular interests of some employers hardly shape the mainstream interests of employers with regard to the welfare state. Considering that welfare state adaptation in Argentina most importantly required the extension of social protection to groups that were not able to contribute to social insurances, and hence unavoidably required the introduction of more progressive forms of financing, employers had important economic incentives to avoid welfare state adaptation. In practice, employers have been pressuring for a redistribution of the social insurance contribution burden in detriment of the workers, thereby exacerbating the effect of the sharp decline in average real wages. (See figure 42) At the same time, the marketisation of social insurances was in the interest of the employers, not only because market provided welfare usually reproduces the

⁹⁵ According to Walter Korpi (2006: 171) employers' rejection of extensive, inclusive and redistributive welfare states is an internationally observable feature.

original economic stratification and therefore limits solidarity, but also because it opened up enormous business opportunities. A universalisation of pension, health and family policies, as well as the introduction of non-contributory income maintenance would have required more progressive taxation, which was threatening to reduce the employers' privileges. Moreover, the lack of income maintenance not only relieved employers from a *redistributional* burden, it also had positive effects for employers with regard to the distribution of incomes through the market in the first place. As has been argued before, the right to a minimum income frees unemployed workers to a certain degree from the need to sell their work force at any price and under any condition. Hence, employers saw in such proposals also a threat to the cheap labour supply and the disciplining effects that the high unemployment and informality rates provided. Overall, it seems that welfare state reforms after 1975 have quite amply satisfied employers' interests. Social insurance contribution rates are today much lower for employers than during the mid 1970s. (See figures 37 and 41) Expenditure on social programmes that have been financed through employer contributions alone, namely family allowances and the housing fund, was decisively reduced. Employer contributions to the housing fund have even been completely abolished. In the pension system the overall trend was towards lower employer contributions, while worker contributions were raised during the mid 1970s and remained stable since then. (Barbeito/Lo Vuolo: 337/338) The average wage has been falling dramatically since the mid 1970s, also because the welfare state did not provide alternative sources of income that could have put a limit to the downward pressure on wages and would thereby have mitigated the consequences of the enormous imbalance between labour force offer and demand that was characterising the Argentinean labour market during the last decades. Under such labour market conditions, the lack of day care provision hardly constituted a problem for employers, as they did not have to fear scarcity of labour. Despite relatively high unemployment rates, employer associations have supported demands for better child care coverage in Germany during the last years. This has mainly been the case because unemployment was not equally distributed between different educational levels, so that employers had an interest in enabling well educated mothers to work. Furthermore, the two biggest German employer associations, the BDI and the BDA, explained that they did not aim at increasing expenditure on family policies as a whole, but at redistributing expenditure from money transfers to day care provision. (<http://www.insm.de/insm/Themen/Soziales/ISNM-Dossier-Familie/BDI-BDA.html>) Yet, also this argument seems to be little convincing for Argentinean employers. In 2.2. it has been shown that among the upper income quintiles, which concentrate most of the labour force with high levels of education, child care coverage was indeed relatively broad. In face of high wage

inequalities, market provided child care results comparatively cheap for the upper income groups in Argentina. Moreover, as family allowance expenditure was radically cut down during the last military dictatorship and has not been recovered since then, the expansion of public care facilities would have been hardly financeable through merely redistributing the expenditure on family policies. This implied that the expansion of day care provision would have required additional resources, which would potentially have resulted in a higher tax burden for employers.

Theoretically, formal labour has been increasingly sharing the interests of informal labour with regard to welfare state adaptation after 1975. As has been argued in chapter 3.2., the Argentinean welfare state had been importantly shaped by the particular cross-class alliance that sustained the ISI model. Hence, the welfare state in force during the mid 1970s did only partly reflect the preferences of the working class, while the bourgeoisie had been able to block a greater importance of universal, tax financed and redistributive elements. Due to the favourable labour market, the trade union movement had been able to pursue redistributive aims primarily via wage bargaining during the period of ISI. Yet, as the fall of real wages indicates, this strategy has been increasingly ineffective for the working class after 1975. Under these circumstances, formal labour's interest in a redistributive welfare state has become increasingly important again.

⁹⁶ While the favourable labour market conditions during the ISI period had minimised the risks of prolonged involuntary exclusion from formal work, and had hence allowed a relatively broad and stable access to social protection through the social insurance system, after 1975 formal workers have increasingly been threatened with the loss of social rights due to the increasing instability of formal work histories. In this sense, universalistic non-contributory social policies became also increasingly important for the social protection of formal workers that were contributing to social insurances but uncertain about their future capacity to do so. These interests of formal labour suggest, hence, a social policy alliance between the poor and formal labour. Such an alliance was, in turn, conflicting with the interests of the local industrial bourgeoisie that had been part of the cross-class alliance supporting the ISI model. Anyway, as will be briefly shown, the abandonment of the ISI strategy also put an end to the cross-class alliance that was limiting formal labour's ability to pursue their redistributive interests through the welfare state.

The cohesion of the peronist multi-class alliance was already showing signs of breakage during the short period of democracy between the early and mid 1970s. The domination of the government through peronism allowed the interest conflicts that existed within the alliance to

⁹⁶ According to Walter Korpi(1998: X), labour's interest in a redistributive welfare state is also a commonality of most labour movements in the industrialised world.

come to the forefront, namely the classical interest conflicts between labour and capital. (O'Donnell 1977: 553/554, Rougier/Fiszbein 2006: 101) On the background of the weakening of the ISI-alliance, the military junta that overthrew the peronist government in 1976 was eventually able to eliminate the power standoff in favour of those parts of the bourgeoisie that opposed the ISI model. The military government not only achieved a weakening of the social forces that sustained the ISI strategy, but was consolidating the breakage between labour and the local industrialists by driving a wedge between the interests of the two groups. As world market integration seemed to be irreversible, even if the two forces worked together, the weaker sectors of the bourgeoisie radically changed their relation towards high wages and non-wage labour costs. While before, these had constituted a means to amplify the national market, and hence to increase their business scopes, in the context of trade openness the additional demand created through high real wages and non-wage labour costs would possibly end up being satisfied by imported goods. Contrariwise, high wages and high non-wage labour costs have increasingly been perceived as an obstacle for the viability of their businesses in the context of international competition. Many small enterprises rapidly shifted towards informal employment. Under these circumstances there was little room for a re-establishment of the original peronist multi-class alliance.

The new situation was suggesting another alliance for organised labour, which until that point had been seen of little benefit for the trade unions: an alliance with the growing poor sector, namely the unemployed and the informal workers. Not only was this sector increasingly numerous and therefore, especially during democratic times, an interesting ally for the labour movement. The generally increasingly miserable labour market situation and the lack of social protection for this sector was beginning to undermine trade union power, as the poor were forming a rapidly available reserve of cheap labour. Furthermore, the deterioration of the labour market implied that unemployment, informality and poverty increasingly became a real, and not very distant, threat to the formal workers that formed the core of organised labour. Hence, a social policy alliance between formal and informal labour around welfare state adaptation would have been a plausible strategy for the labour movement to increase its electoral and economic power.

Nevertheless, during the 1980s the trade unions seemed not to move in their positions. During the 1990s a minority fraction, the CTA, indeed changed its course towards such a strategy, but the much more powerful majority fraction, the CGT, did virtually not do any attempt towards this direction. Contrariwise, the social policy demands of this sector remained concentrated on the preservation of the inequitable and fragmented social insurance system, which was

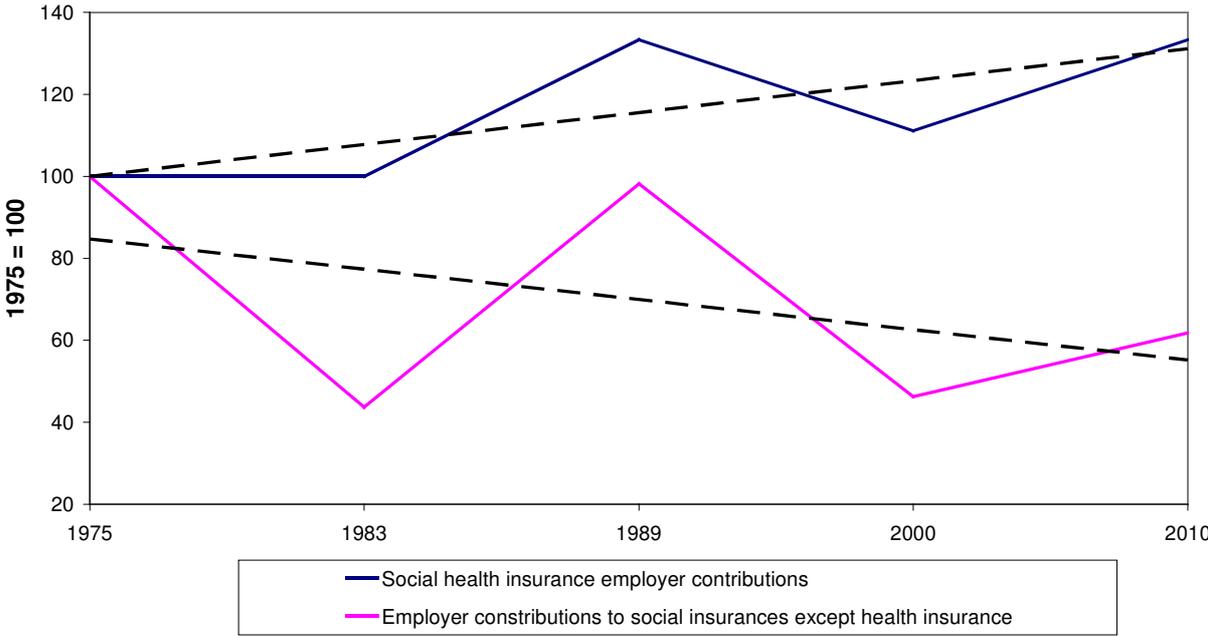
completely contrary to the interests of the poor, and therefore also impeding the formation of an alliance between formal labour and the poor.

An alliance between formal and informal labour would have improved the power resources of the labour movement. Therefore, the programmatic adaptation towards demanding more universalistic social protection would have increasingly served for aims of power maximisation. The example of the minority fraction of the trade union movement, the CTA, provides some evidence for this. While the CGT lost members during the 1990s keeping distance to the poor, their new social movements and demands, the CTA tried to incorporate these, and was thereby able to increase significantly the number of their affiliates. (Palomino 2005: 23) Why then did the majority of the labour movement not change their coalition strategy and pressure for welfare state adaptation?

The main reasons may be found in the persistence of structures and political patterns that have been channelling the behaviour of big parts of the trade union movement since the first peronism, and in which the welfare state has played a decisive role. The hierarchical organisation of the labour movement, the lack of internal democracy and accountability, the high dependence of trade union elites on the state and the far reaching removal of socialist ideas from organised labour created little willingness among, and little incentives for, powerful trade union leaders to modify their strategy. The removal of socialist ideas implied that there were little ideological incentives for union leaders to base their strategy on solidarity with the weakest sectors of the society. More than the working class as such, trade union leaders had extraordinary strong personal interest in the preservation of the health insurance system. The latter constituted an invaluable source of personal economic and political power. Due to the importance of the health insurances for trade union leaders, these regularly formed part of the governments' co-optation strategies. The lack of democracy and accountability further increased the incentives for trade union leaders to engage in this game of co-optation. While the rank and file had relatively little control over their leaders, and hence could do little to force these to take up working class' social policy interests, the personal economic and political power of trade union leaders depended strongly on whether they preserved the control over social health insurances or not. In exchange for maintaining the social health insurances, trade union leaders were often disposed to give in with regard to other policy projects that were infringing working class interests in a very direct and probably more profound way. Of course, the personal interests of union leaders were not constrained to the area of health insurances, but these constituted the most important constant of trade union leaders' social policy interest. "Cooperative" trade union elites were moreover rewarded with government and administration posts for their loyalty in privatisation and

flexibilisation issues. In some cases trade union leaders even became employers, as they were put in charge of the privatisation of companies or were given shares of these in exchange for supporting their privatisation.(McGuire 1997: 225/226) Figure 41 reflects the concentration of the trade union movement on the defence of social health insurances in detriment of other social policy areas. The reduction of non-wage labour costs has been a central employer interest. In this regard employers were able to progress significantly. Overall employer contributions as a share of the wage have been reduced by over 28 % between 1975 and 2010. Yet, the reduction was not equally distributed among the different social insurance types. While employer contributions to the social health insurances increased by one third over the period, the combined employer contribution rates to the remaining social insurances have been reduced by over 38 %.

Figure 41: Employer contributions to social health insurances vs employer contributions to the remaining social insurances



Elaborated by the author. Sources: For 1975 – 1989: Barbeito/Lo Vuolo 1998: 337/338, For 2000: El Clarín 27th of December 2003, For 2010: C.F.E. Institute http://www.cfe.com.ar/teoria_tablas_sueldos.htm (opened on 24th of November 2010).

Walter Korpi(1998: X) admits that gender has been long time neglected by the power resource theory, which mainly concentrated on socio-economic stratification. Yet, it is likely that the size, and particularly the shape, of the welfare state not only depends on cleavages between social classes and the related distribution of power resources, but also on the gender related distribution of power resources. According to Esping-Andersen(1999: 45), the expansion of day

care facilities in the Nordic countries from the late 1960s on “came not so much from the commanding heights of the labour movement as from a massive popular campaign led by women’s organisations.” Comparing the Chilean and Uruguayan welfare states, Jennifer Pribble(2006) recently found that also in Latin America the mobilising capacity of women seems to be a decisive determinant for the gendered nature of social policy. In contrast, the strong catholic influence in the Southern European countries, which can be considered equally strong in Argentina(Hänsch/Riekenberg 2008: 76), has been argued to hamper the expansion of day care provision, and measures that facilitate female labour market participation in general.(Ferrera 1996: 30) Although feminist movements in Argentina gained some strength from the late sixties on, they were far from reaching the influence that their counterparts had conquered in the industrialised countries, and particularly in Northern Europe.(D’Atri 2005: 2) On the background of the relatively small size of the Argentinean feminist movement, it seems that while it had some success in demanding legislative improvements, it has not been able to pressure the state towards a more active role in care issues.(Gil Lozano 2004: 10, Salvador 2007: 18/19) Class cleavages possibly contributed to the absence of influential womens’ campaigns for day care provision. As has been alluded before, in full employment labour markets, or in face of unsatisfied demand for skilled labour, employer associations have supported the expansion of day care provision. In the Argentinean context of last 35 years, employers had arguably little incentives to support such demands. Moreover, the high income inequalities on the Argentinean labour market provided upper-middle and upper class women with relatively cheap and highly flexible access to private day care provision, often in form of private child minders. In face of this possibility, the interest of these women in public day care provision was possibly limited. Women of the lowest income strata had a strong interest in child and elderly care provision, as this would have enabled them to improve the scarce household income through participation in the labour market. However, considering the difficult labour market situation for female workers with low levels of education, the social policy priorities of these strata lay first of all in securing the survival, for which income transfers have been clearly more important. As long as the survival is permanently threatened, child care provision is unlikely to become one of the first priorities. If there is any truth to these thoughts, the high inequality within the Argentinean society, and hence also between women, made strong female cross-class alliances campaigning for an expansion of day care provision more unlikely than in the relatively egalitarian societies of Northern Europe. Unfortunately my information on contemporary Argentinean feminist history is very restricted, and also the available data about day care provision is very limited, so that I am not able to deal with this topic with the profoundness it deserves. Certainly, a political

analyses of the evolution of day care provision in Argentina applying a power resource approach and directing particular attention to women's mobilisation is an important area for further research.

b) The distribution of power resources after ISI

Comparative studies of the power resource theory often use long-term left party shares in parliaments and cabinets as indicator for the strength of working class influence on social or other redistributive policies.(e.g. Esping-Andersen 1990, Huber et al 2006, Korpi 1983) Yet, the first seven years of the period of study have been under authoritarian rule in Argentina. Moreover, as has been pointed out in 3.1., the two strongest parties in the Argentinean political system, the UCR and the PJ, have been both classified by their members, as well as the members of the other party, as parties of the centre.(Alcántara Sáez 1996) Michael Coppedge's(1997: 16/17/71) influential categorisation of Latin American parties has classified the PJ as not clearly defineable("other") and the UCR as secular party of the centre. Although, the PJ traditionally received the majority of the poor and working class vote, Huber et al (2006: 950) stated with regard to the ideological positioning of the PJ, that classifying this party "as left of center is not theoretically meaningful". On the basis of the political standpoints of the party, Huber et al(2006: 954) defined the PJ as a centrist party during the 1980s and as a centre-right party during the 1990s. After 2003, the governing wing of the PJ party could be described as centre-left.(Wiesehomeier 2010: 5) During the second half of the 1990s a third party entered the political arena, the FREPASO, which has been categorised as centre-left by Micheal Coppedge(1997: 16). However, this party was relatively short-lived as it broke completely down in the aftermath of the economic shock in 2001/2002. Since this crisis, the Argentinean party system has become more fragmented with the PJ becoming the dominant party, although internally divided, while the UCR split into several parties. This brief outline of partisan landscape shows that working class power can hardly be measured in parliament and cabinet shares of left parties in the Argentinean case. The virtual absence of significant left parties, due to the lack of a clear left-right divide in the party spectrum, would misleadingly indicate that the Argentinean labour movement has been extraordinarily weak during the last six decades. Although I will argue that the Argentinean labour movement saw its power resources reduced after 1975, it can be considered relatively strong with regard to various aspects, such as the high degree of centralisation of the trade union movement and the comparatively high unionisation rate. Moreover, the Argentinean party system not only lacked significant and stable left parties, it also lacked stable centre-right or right parties.

In the Argentinean case, the different social forces after 1975 did not primarily pursue their interests via their own ideologically stable parties, as comparative power resource theory studies usually assume, but via the pressure on, the influence over, respectively the manipulation or co-optation of, the main parties of the political system.(e.g. Basualdo 2001) Considering this, the main focus of this chapter will be on the capacity of the different social forces to shape the governments’ social policy agendas, and not so much on the “colours” of the governments themselves. The subsequent two chapters will attempt to shed more light on *why* the ‘objective’ interests in welfare state adaptation of vast parts of the population have scarcely been transmitted via democratic elections into parliament and cabinet shares of forces that support such policies.

Due to the fact that the partisan composition of parliaments and governments can hardly be used as quantitative indicator for the changes that occurred in the distribution of power resources in Argentina, I will refer to some alternative indicators, such as the unionisation rate and the evolution of real wages. However, power resources are not clearly quantifiable, so that I will employ these indicators to underpin qualitative considerations rather than letting them speak for themselves.

As has been described in 3.2., the trade union movement has become highly centralised during the 1940s and 1950s. This feature largely persists until today. Since that time the unionisation rate among non-agricultural workers has been comparatively high. Table 2 shows that, in contrast to experiences of other Latin American and European countries(Marshall/Perelman 2008, Marshall 2005), the unionisation rate has remained largely stable since the abandonment of the ISI strategy and the embarking on a more neoliberal path.

Table 2: The evolution of unionisation rates of non-agricultural wage earners

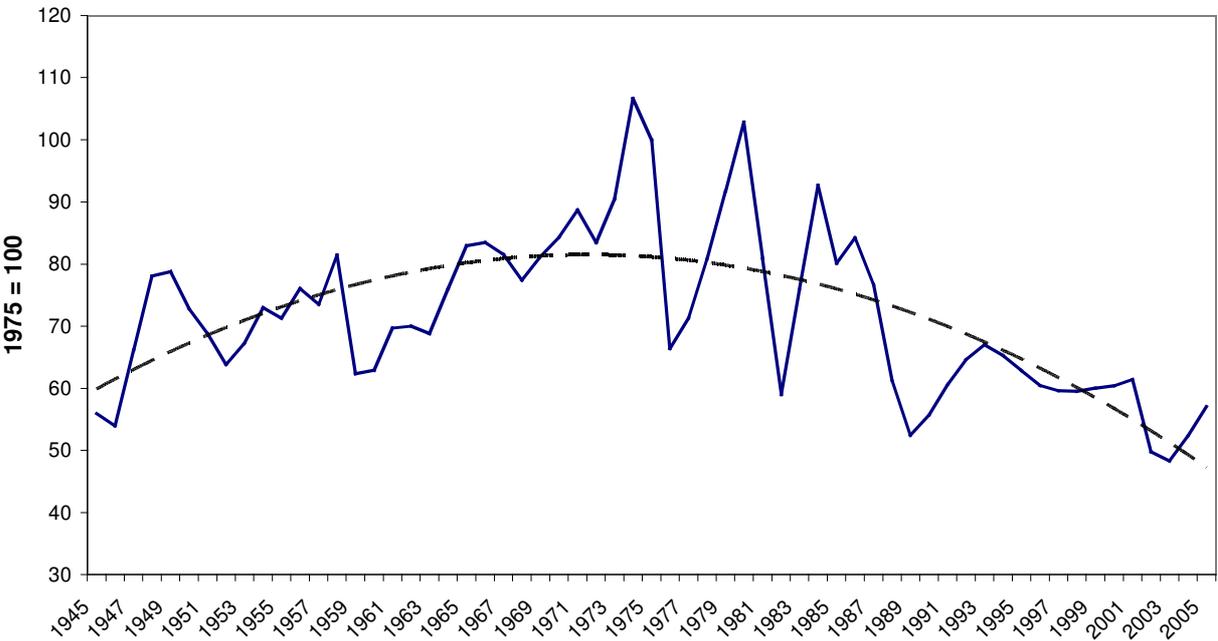
Year	1948	1954	1965	1982 - 1986	1990	2001
Unionisation rate of non-agricultural wage earners	38%	50%	36 - 43 %	45%	49%	42%

Elaborated by the author. Sources: Various sources quoted through Marshall (2005: 23 – 25).

Nevertheless, the course of the social and economic policy, as well as the evolution of real wages, clearly show that labour’s interests have been on the defence after 1975. There is a broad consensus among scholars that the distribution of power resources in Argentina has shifted in favour of capital and in detriment of labour after 1975.(e.g. Basualdo 2001, Huber 1996, Levitsky 2001, Lindenboim et al 2005, Svampa 2005) Figure 42 shows that the average real

wage had a rising tendency until the mid 1970s, but was declining steeply since then. In 2005, the average real wage amounted to only 57 % of its value in 1975. During the same period the real GDP per capita rose by 11.2 %, and the share of wage earners among the employed population remained relatively stable, so that the decline of real wages reflects an enormous redistribution of incomes from labour to capital. According to estimations of Juan M. Graña(2007: 77/78), the wage share of the GDP fell from 40.1 % - 45.3 % in 1975, to 25.2 % - 28.4 % in 2005. A capitalists' paradise!

Figure 42: Evolution of the average real wage



Elaborated by the author. Source: The data has been kindly provided by Fernando Groisman and is identical to that used in Beccaria/Groisman/Maurizio (2009: 28)

Why has formal labour been so dramatically losing ground despite stable unionisation rates? And why has capital been able to advance so strongly?

Walter Korpi(Korpi 1998: X) argues that the rise of unemployment as well as globalisation(trade and financial openness) have markedly improved the situation of actors that control economic resources in detriment of labour. The Argentinean case confirms this observation. The increasing number of unemployed and informal low-income workers created a quickly available and particularly cheap reserve of labour force, which weakened the labour movement's negotiation power, lowered the costs of strikes for employers, as well as it had subordinating and disciplining effects on the formal workers because these increasingly feared

the loss of their employment. This fear, in turn, had undermining effects on solidarity, which constitutes an essential prerequisite of any collective labour action.(Lindenboim et al 2005: 5/6)

Table 3: The decline of trade union representation in the PJ bloc in the chamber of deputies

Year	1983	1985	1987	1989	1991	1993	1995	1997
Trade unionists as a share of peronist deputies	26,1%	27,7%	21,0%	20,0%	15,0%	7,8%	4,6%	4,2%

Elaborated by the author. Source: Levitsky (2001: 20).

Table 3 shows the declining influence of the trade union movement over the PJ party, which is reflected in the decline of union representatives in the PJ bloc in the chamber of deputies. While trade unionists had occupied a dominant role in the PJ during the first half of the 1980s, their influence was pushed back from the late 1980s on. The Menem government during the 1990s finally achieved the complete marginalisation of the union representatives in the party. (McGuire 1997: 247) After the crisis in 2001/2002, the influence of the trade union movement in the PJ, especially of the majority fraction (CGT), has increased again.(De Riz 2008: 14/15)

Despite these unfavourable conditions for the trade union movement, their weak performance cannot be solely explained by external factors. Adriana Marshall(2006: 20) assumed that the system of health insurances has played a crucial role in the relative stability of trade union affiliation in Argentina. Although it is the obligation of wage earners to affiliate to one of these insurances, it is formally not required to join the respective trade union. Nevertheless, Marshall argued that many perceived it as convenient, as trade unions used resources from the health insurance system to finance selective services for union members. With regard to industrialised countries, scholars have found that in countries where trade unions rather than the state control unemployment insurances, union density has usually been higher, and labour power hence stronger.(Olsen/O'Connor 1998: 19/20) This coincides largely with the argumentation of Adriana Marshall for the Argentinean case. However, it is also plausible that the additional affiliation reached through the provision of social services, cheap holiday offers or even credit cards, did not result in a comparable increase of working class power. In other words, also the reasons for which workers join trade unions are important for the constitution of labour power. Stability of union affiliation in Argentina may reflect stronger the successful transformation of unions into service providers rather than the preservation of the political strength of the trade union

movement. Under this light, the stability of trade union membership does primarily mean that the financial sources of the unions have been relatively stable.

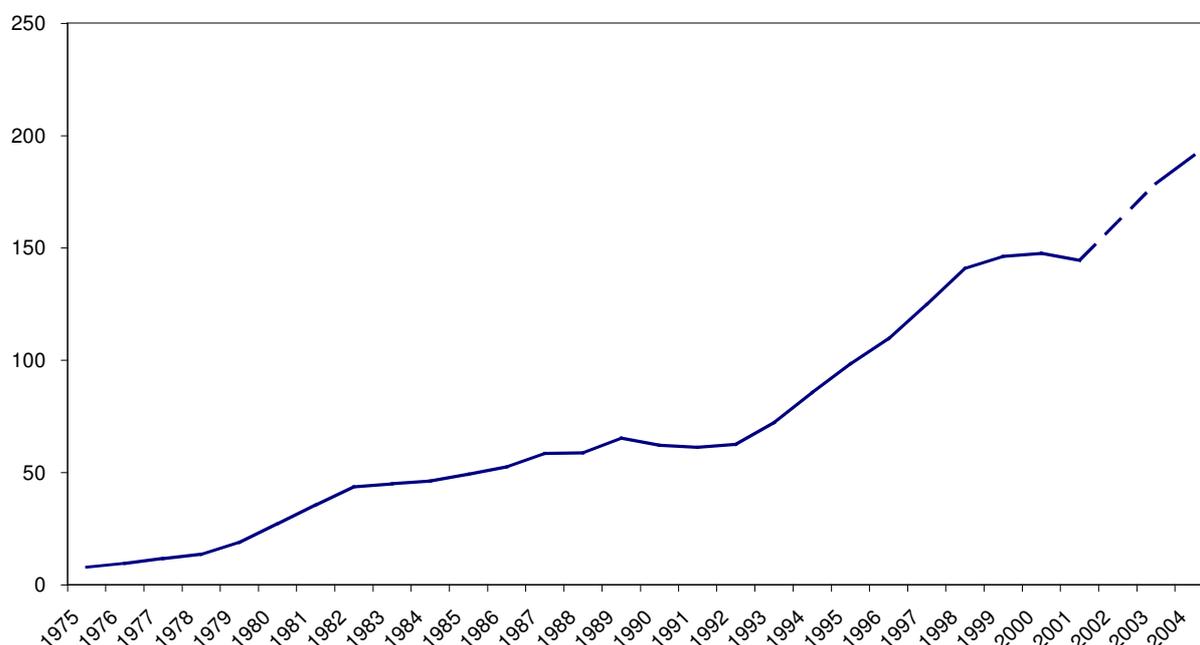
The failure to construct a formal-informal labour alliance certainly weakened the capacity of both social forces to exert influence on the social policy agendas.(Repetto 2006: 233/234, Lo Vuolo 1998b: 257) The undemocratic structure of the trade unions and the disposition of most trade union leaders to accept co-optive offers, which were beneficial for them on a personal level but prejudicial for their rank and files, importantly contributed to the weakness of formal labour.

The power resources of informal labour during most of the period were much more restricted. In face of the deterioration of the socioeconomic situation and the rapid growth of poverty after the military coup in 1976, the poor adopted new forms of collective action, which basically aimed at securing their survival. During the early 1980s groups of poor started with the occupation of land, particularly in the south of the city of Buenos Aires. These occupations coincided with the formation of numerous local social movements based on the solidarity of the poor in the respective neighbourhood. Soon these movements began to organise protests and to demand social protection from the state.(Merklen 2005: 51 – 59) During the 1990s, these organisations adopted road blockades, the so called “piquetes”, as principal form of protest, which enabled them to attain considerable presence in the media and the political debate.(Neffa 2008: 74) As will be shown later, since the abandonment of the ISI strategy, the poor have been able to gradually build up their power resources and to constitute a social force in the Argentine politics of the welfare state. Particularly during periods in which these movements coordinated their actions, as it happened around the turn of the millennium, the poor achieved considerable political strength, attaining an important rise of social assistance expenditure. Yet, as has been evidenced in 2.2., the overall success of the poor in demanding welfare state adaptation to their needs has been very limited. Until late 2009, all governments have been able to avoid the introduction of any genuine social right to income maintenance for these groups. The high fragmentation of informal labour’s organisations has been a major obstacle for the achievement of bigger influence, as this allowed successive governments to apply co-optation and divide and rule strategies. The social movements have thereby been confronted with an additional disadvantage compared to the trade union movement. The urgent need of their members made it difficult to decline selective subsidies from the state that demanded political support in exchange, or at least the abandonment of confrontation. In this sense, the social movements of the poor have been permanently exposed to tensions between the immediate need to enable the survival of their members and the aspirations to construct a long-term project that aimed at the social inclusion of the poor, for which the selective and discretionary awarding of minimal

economic help linked to political conditionality clearly posed an obstacle.(e.g. Merklen 2005: 65)

The role of employers has often been neglected in power resource theory welfare state analyses.(Swank/Martin 2001: 891) This may have to do with the difficulty to measure employer's power resources. Party-centred comparisons have often assumed that employer influence is reflected in the strength of centre-right, right or liberal parties. As has been discussed before, the party composition of governments and parliaments does not serve as an indicator for changes in the employers' power resources in post ISI Argentina. The dramatic reduction of the wage share and the reduction of the average real wage indicate that employers have increasingly been stronger than labour in the distributive conflict. It is likely that the employers' superiority in the *distributive* conflict, namely the determination of the real wage levels, coincided also with an increasing superiority in the *redistributive* conflict, namely with regard to the progressiveness or regressiveness of the welfare state, the tax system, and so on. As will be shown in the following part of this chapter, employers were repeatedly able to allocate their representatives in the ministry of economy, and this ministry seemed increasingly to rank higher in the intra-cabinet hierarchy than the ministry of work and social security, which has been led by trade union representatives during some periods. Indeed, as will be seen, social policy reform, particularly during the 1990s, has often been designed in the ministry of economy and not in the ministry of labour. Walter Korpi(2006: 172) argues that the main power resource of the employers are economic assets. These assets can, for example, be used for exerting influence via the control of most of the media spectrum, lobbying or co-optation, but also to threaten with the transfer of the production into another country, the transfer of high sums into another currency or the refusal to sell foreign currencies received from foreign trade to the central bank, thereby negatively affecting the nations currency reserves. In this sense, the increasing concentration of income(see 2.1.), and thereby employers' control over a growing share of the GDP, also increased employers' power resources. Besides national and foreign capital within Argentina, also foreign groups and institutions outside the country became increasingly influential with regard to social policies due to the high foreign debts that the country had accumulated since the last military dictatorship. As will be seen, especially the international financial institutions, such as the IMF, the World Bank and the Inter-American Development Bank, have been increasingly able to shape social policies. Figure 43 shows the rise of Argentina's foreign debt in dollars since 1975.

Figure 43: Argentina's foreign debt in billion US dollars



Elaborated by the author. Source: Vargas de Flood (2006: 143/147/150/154/161/163).

Although the different fractions of the internal employer sector and the external creditor sector did not always agree about the desired economic course, in social policies these differences seem not to have played a significant role. Interestingly, during the two periods⁹⁷ in which the most powerful internal and external economic actors converged around several key features of the economic policy (Basualdo 2001), also the reform of the welfare state headed strongest towards employers' interests, and in detriment of welfare state adaptation. Economic policy has been the highest priority for the employer sector as well as the international creditors, however, it seems that during times of relative consensus about the economic course of the government, they directed more attention to the reform of social policies. Walter Korpi (2006: 173) argued, that the "efficacy of economic resources as well as of labor power can be enhanced

⁹⁷ These periods comprise most of the military dictatorship as well as of the 1990s. The main organisational expressions of employer unity during the military government has been the "Permanent Assembly of Employers' Associations" (Asamblea Permanente de Entidades Gremiales Empresarias/APEGE), which played a key role in the military coup of 1976 and which provided numerous officials of the dictatorship. (Rougier/Fiszbein 2006: 104/105) Eduardo Basualdo (2001: 60 – 62) argues that during the 1990s the dominant economic actors found consensus around the privatisation of state enterprises, which served both the internal employer sector, which was able to increase their market control through the acquisition of under-valued enterprises, and the external sector of creditors, which was interested in privatisation as a means of guaranteeing interest and debt payments.

via collective action". In this sense, the consensus about economic policies increased employers' power resources as it allowed a higher degree of unity and cooperation between the associations of the different economic sectors, which hence enabled them to advance with regard to social policies, an area in which labour has usually strong defence commitments.

c) Power resources in the Argentine politics of welfare state adaptation failure

As has been shown in chapter 2.2., the military dictatorship had strongly regressive effects on the welfare state. Not only was the overall welfare expenditure reduced significantly, also its distribution was shifted in detriment of the poorest sectors of the society who depended on social assistance and free public health care provision. Furthermore, the financing burden of the welfare state was decisively lowered for employers. These changes largely reflect the distribution of influence between employers, formal and informal labour under the military regime. Employers had very direct influence on the government. Formal labour was the target of severe repressions by the military, however, continued to constitute a strong social force, which the government was not able to ignore. Informal labour was scarcely organised during that period, and in the absence of elections it had virtually no possibility to influence the government's course.

The 1976 military coup had the support of the landowning oligarchy and the most concentrated segments of the national and international capital in the country. José Alfredo Martínez de Hoz, a big landowner and president of Acindar, a big steel company, as well as president of the "Argentinean Employers' Council"(Consejo Empresario Argentino/CEA), an influential employer association, became the minister of economy during the first five years of the dictatorship. Representatives of other employers' associations, such as the "Argentinean Rural Society"(Sociedad Rural Argentina/SRA), the "Argentine Chamber of Commerce"(Cámara Argentina de Comercio/CAC) and the "Association of Argentine Banks"(Asociación de Bancos de Capital Argentino/ADEBA) were put in charge of central positions in several ministries and the central bank. While representatives of the employers were allocated in key positions, the military government was strongly hostile towards the labour movement. It not only tried to break working class power by direct repression, such as the arrest, torturing and killing of union members, the outlawing of strikes and the intervention in the trade union organisations, but also through economic policies that reduced the size of the industrial working class. While repression was the chosen means for the short term, the change of the economic model was going to undermine working class power in the long run.(Cortés/Marshall 1993: 401, Lewis 1999: 49, McGuire 1997: 171/172, Svampa 2005: 105)

Also the employers' association that had supported the ISI strategy, the CGE, has been decisively weakened during the military dictatorship. In 1977, the military dissolved the CGE, and although it was re-established in 1984, it was not able to recover its original importance. The restructuring of the economy had strongly weakened the economic position of small industries. During the 1980s, the big majority of the Argentinean entrepreneurs was in favour of world market orientation and a rather liberal market regulation. Since then, the UIA has become the leading representation of the industry.(Birle 1996: 207 - 209) By this means, the situation of a power standoff between two alliances proposing different development strategies was finally dissolved in favour of a liberal oriented business elite, among them big landowners, the financial sector, the commercial sector and parts of the big industry.(Birle 1996: 219)

As has been shown in 2.2., expenditure on social assistance and unemployment protection radically decreased during the military junta, and increased more or less steadily during the democratic governments afterwards. Spending data from the short democratic period before the last military dictatorship supports the likeliness of a causal relation between the democratic, respectively undemocratic, character of the government and the expansion, respectively reduction, of expenditure on social assistance and unemployment protection programmes. Spending on these social policies had a significant upward trend during the few years of democracy before 1976.(Vargas de Flood 2006: 188, spending data for 1970-1975) Laura Golbert(2008: 43) finds similar patterns for the period between 1955 and 1973. From a theoretical perspective, this pattern plausibly reflects the strategical electoral importance of these programmes, and hence represents the electoral power resources of the poor. As authoritarian governments do not need to win elections, voter preferences as such are of little strategic importance for them. However, also authoritarian governments have to bear powerful organised interests in mind. This is especially true in Argentina, where during thirty years no power bloc was able to achieve stability, let alone hegemony. In this context, the danger of losing power was also eminent for authoritarian regimes. Therefore, also right wing dictatorships were prone to maintain a certain degree of negotiation with organised labour. Social insurances, especially social health insurances have often served as a link for these negotiations, due to their high importance for trade union leaders.(Belmartino 2005a: 108, Golbert 2008: 30, Lloyd-Sherlock 2006: 357) The military attempted to restructure the social health insurance system, and to quit trade unions their control over them, however, largely failed.(Belmartino 2005a: 112, Vargas de Flood 2006: 148) Although about 90 % of the trade unions' social health insurances ceased to be directly union controlled during the years of military intervention, the regime failed to introduce and regulate lasting legislative changes with this regard. Moreover, despite the intervention of

the state, the social health insurances were one of the few aspects of union activity that continued to function during the dictatorship. Gerardo Munck(1998: 236/237) argued that the allocation of additional resources to these insurance funds served as a kind of 'battle horse', as the junta wanted to show that social health insurances were indeed better working under military control than under the trade union elite, which was accused of being corrupt and inefficient. By this means, the military wanted to break down the prestige of the union leadership, as well as of the unions as a whole, and undermine the credibility of these in the eyes of the workers. In this sense, the increased assignation of resources to the social health insurance system can be interpreted as a response to union power, however, instead of primarily trying to co-opt it, trying to weaken it by discrediting the union leaders. Nevertheless, it is likely that the social health insurances were part of a more multifaceted sticks and carrots tactic of the military junta. Despite the repression, a part of the union movement continued to organise resistance. From 1977 on, the so called "Group of 25" coordinated labour action including general strikes, of which the first took place during 1979. Another fraction of the union movement, the so called commission for "Governance(Gestión) and Work", was in contrast open for a cooperation with the military government and considered the Group of 25 as "dangerously vulnerable to 'leftist subversion'"(McGuire 1997: 173). Later this divide led to the split of the CGT into a more combative organisation, the CGT-Brasil, and a more cooperative one, the CGT-Azopardo. (McGuire 1997: 174) Interestingly the steepest rise in social health insurance expenditure as a share of the GDP was effected in 1981 under general Viola, who had recently assumed power, and who was disposed to negotiate the terms of a future return to democracy with pre-1976 party leaders and a group of cooperative union leaders.(DAGPyPS 2010, McGuire 1997: 175/176) In this sense, additional resources for the system of social health insurances may also have served to co-opt the support of conservative trade union leaders for issues of crucial importance for the military, such as the immunity from persecution for human rights violations.

The overall reduction of welfare expenditure, and the redistribution of resources within the welfare state, moreover coincided with the neoliberal ideology prevailing in the military government and the business elites that sustained it. In contrast to public health and social assistance, social insurance systems award merits to a certain degree, and contracts with the social health insurances were a particular lucrative business for private health care providers.

With the return to democracy informal and formal labour recuperated an important power resource from which they had been deprived during the military dictatorship: their votes. Although this did not coincide with increasing electoral success of left parties, the electoral importance of these two groups provided incentives for politicians to consider their social policy

interests. The end of repression allowed the trade union movement to regain some organisational power resources, however, the industrial decline and the deterioration of the labour market had lastingly weakened them. The employers had been economically strengthened through the military dictatorship, in the sense that they captured a considerably bigger share of the GDP. Nevertheless, politically they had been temporarily weakened, partly because they had supported a largely discredited military regime, and partly because their initially strong unity had broken during the last two years of it.(McGuire 1997: 175) As has been evidenced in 2.1., social assistance and unemployment protection expenditure began to recuperate during the Alfonsín government(1983 – 1989), but remained clearly insufficient, not even reaching pre-dictatorship levels. Despite the fiscal crisis, the pension system maintained very high coverage rates and low benefit inequalities. The government also reintroduced employer contributions to the pension system. Yet, attempts to create a more equitable health care system failed due to trade union resistance.

During the early 1980s, parts of the poor started to organise in local social movements, often in combination with the occupation of land.(Merklen 2005: 51) Soon these movements began to demand social programmes from the state, such as the “National Alimentary Programme”. Initially these organisations were highly democratic, yet, the need to negotiate social benefits with the governments increasingly posed limits to these forms of organisation. To a certain degree, these negotiations replaced the hitherto predominant collective forms of action by processes that took place between the leaders of the social movements and government officials. The latter often used these negotiations for co-optation tactics.(Merklen 2005: 84) In the Province of Buenos Aires some social movements achieved getting involved in the implementation of small social assistance programmes. Yet, as they received very little resources, were handed out discretionary, and did not constitute social rights, these programmes were far from compensating the dramatic social decline that an increasing part of the population was experiencing.(Merklen 2005: 56/57)

With regard to the employers and the trade unions, the Alfonsín government attempted to establish tripartite negotiations, however, had little success. While both employer and trade union representations took part in the formal meetings, they informally continued to focus on bilateral relations with the government. The trade union movement frequently and abruptly abandoned the tripartite negotiations and took stances typical to that of a political opposition. Many of the most powerful employers, in contrast, prioritised lobbying and economic pressures as means of influencing the government. In this sense, capital had a clear advantage in the articulation of its interests. The incorporation of the trade unions into the peronist movement,

and the relative weakness of the peronist party during the 1980s, put the trade unions in the role of the principal representative of the peronist opposition. This deteriorated incentives for union leaders to effectively defend the interests of their rank and files. While in some occasions compromises with, or even support to, the UCR government would have been clearly beneficial for the working class, trade union leaders usually preferred to oppose in order to destabilise the government and eventually achieve the installation of a peronist government.(Goldin 1997: 123 – 130) The CGT organised 13 general strikes during only five and a half years of UCR government.(McGuire 1997: 234) The assumption of a categorically oppositional role, rather than making the trade union movement's positions dependent on its rank and file's 'objective' interests, was also often in the very personal interest of the respective union leaders, as these were occupying numerous important posts in the PJ party during the 1980s.(Goldin 1997: 123 – 130)

The strong influence in the PJ party constituted a powerful tool for union leaders to block undesired laws in the senate, where the UCR government was in the minority. In this context, the ambitious reform project to create an integrated and more equitable social health insurance system, in which the state would have played a significantly bigger role, had little chances of implementation.(Maceira et al. 2010: 5, Barbeito/Lo Vuolo 1998: 130) Strikes of the trade unions and the parliamentary opposition of the PJ resulted in a dilution of the contents of the project to such a degree, that the finally approved legislation had no significant consequences in practice.(Mera 2010: 107) The fierce resistance of union leaders to any measure that would reduce their control over social health insurances lay in the fact that these constituted one of their main sources of economic power, and that they represented a key resource for union leaders to consolidate their power over their rank and file, to further their political career, and to increase their personal wealth through the large margins for corrupt practices provided by the lack of state regulation and control.(Lloyd-Sherlock 2005: 1897, Lloyd-Sherlock 2006: 356/357, McGuire 1997: 25) Employers were against the project as well, as it was to rely mainly on employer contributions and general taxes.(Cortés/Marshall 1993: 403) For working class interests the project contained several positive elements, but the fact that it threatened the personal interests of the trade union elite implied that the trade union movement ended up opposing the reform together with the employers. In this sense, the personal interests of trade union leaders constituted the central obstacle for attempts to adapt the health care system. As has been mentioned earlier, also the attempts of the peronist government during the 1970s to create a universalistic state run health system failed due to trade union and business resistance.

President Alfonsín was of the centre-left wing of the UCR party.(Escudero 2001: 37) With his presidential campaign Alfonsín managed to make some, although limited, inroads into the traditionally peronist working-class electorate. On this background, the UCR government hoped it was able to win some support from the trade union movement, or at least to avoid trade union resistance. However, the undemocratic structures of the trade unions and the tight adherence of union leaders to the PJ posed severe obstacles for this aim. Partly for this reason, one of the first government initiatives was a law project that aimed at making the trade unions more democratic. (McGuire 1997: 191, Munck 1987: 106) In face of this threat to the very personal interests of the trade union leaders, the two fractions of the hitherto split trade union confederation, the CGT-Brasil and the CGT-Azopardo, re-united to confront the reform project. Finally, the law failed to achieve a majority in the senate. Only a weaker version of the law passed in 1984, which, however, largely preserved the relatively strong control of peronist union leaders over union internal elections.(Gaudio/Domeniconi 1986: 424/425, McGuire 1997: 192) Although the main aim of the UCR government was to achieve some trade union support, the democratisation could have produced significant impacts on the politics of welfare state adaptation.

After two consecutive electoral defeats in 1983 and 1985, the dominant role of trade union leaders in the PJ was increasingly questioned. As can be observed in table 3, from 1987 on the number of trade union representatives in the PJ bloc decreased rapidly.

While the Alfonsín government attempted to adapt the health care system and pursued egalitarian pension policies during the 1980s, the PJ government of Carlos Menem during the 1990s did the exact opposite. The health and pension systems became less redistributive, more inequitable and more exclusionary during that decade. Social assistance and unemployment protection expenditure continued to grow, yet, much slower than the number of potential beneficiaries.

This shift in social policies coincided with an unprecedented political influence of the employer sector and the international financial institutions. Although the PJ government of Carlos Saúl Menem had been elected in 1989 with ample support from the biggest trade unions, these were not able to regain influence over the party. Contrariwise, Menem completely marginalised the trade union wing and quickly shifted towards a profoundly neoliberal agenda. While the employer sector regained more unity during the early 1990s, the trade union movement suffered increasingly from internal divisions, and was moreover weakened by skyrocketing unemployment rates. Due to their increasing number, the poor became electorally more and more important. The adoption of road blockades as principal form of protest allowed the poor to actively enter the arena of welfare state politics during the second half of the 1990s.

In October 1989, the CGT split into two parts after Menem loyal union leaders attempted to destitute Saúl Ubaldini from his position as president of the CGT. One part, the CGT-Azopardo, announced that it would only support a government that served the interests of the working class, while the other part, the CGT-San Martín, had the position that union leaders had to support a PJ government even if its policies implied some costs for workers.(McGuire 1997: 228) The government made immediate use of its prerogative, and only legally recognised the government friendly confederation.(Goldin 1997: 116)

Menem consciously used divide and rule strategies to weaken trade union resistance. (McGuire 1997: 226) Loyal union leaders have often been rewarded with very personal benefits for their political cooperation in the process of neoliberal adjustment. So, for example, Jorge Triaca, the leader of the plastic workers' union, was appointed minister of labour and later put in charge of the privatisation of the SOMISA steel plant. Triaca had also been one of the leaders that had cooperated with the last military dictatorship. José Pedraza, until today leader of the railway workers' union, participated on the railway privatisation board. Luis Barrionuevo, another very close ally of president Menem, was put in charge of the ANSSAL, the entity that was responsible for redistributing a part of the resources stemming from social insurance contributions between the different social health insurance funds. This post gave him considerable power over the finances of other unions. According to James McGuire(1997: 225) an official of ANSSAL complained in 1991 that most of the individual funds did not even keep books. This does not only show that these funds provided ideal conditions for the misuse of resources, but also that the redistribution of funds could not be effected other than arbitrarily. Moreover, the ANSSAL lacked any clear rule for the redistribution of resources. In this sense, Barrionuevo was furnished with faculties that sensibly affected the interests of other trade union leaders. How powerful the use of the ANSSAL was for co-opting the support of union leaders shows, for example, the case of the powerful metal workers' union under the leadership of Lorenzo Miguel. Originally, Miguel had founded the oppositional CGT-Azopardo together with the former CGT leader Saúl Ubaldini. However, when Ubaldini was about to declare a general strike in March 1990, Miguel opposed the initiative after the ministry of labour had assigned his trade union with the representation of the workers of two car parts factories rather than giving it to the auto workers' union. In November of the same year, he even withdrew all his allies from Ubaldini's CGT after the ANSSAL agreed to absorb 25 million dollars of debt of the metal workers' union's health insurance. In 1991, Barrionuevo had to resign after he quasi admitted in a radio interview that he had not financed his mansion in a suburb of Buenos Aires by working, but by corrupt practices in his trade union. In order to contain resistance, Menem also distributed

lower government and administration posts to hitherto combative union leaders.(Goldin 1997: 116/117, McGuire 1997: 220/225 – 229) Barrionuevo's resignation from the ANSSAL did not put an end to the use of the social health insurance system for the co-optation of trade union leaders. In December 1991, several trade union representatives in the chamber of deputies approved the labour market flexibilisation law(Ley Nacional de Empleo) in exchange for the assumption of debts accumulated by the trade union's social health insurances, although the law constituted a clear violation of working class interests.(Etchemendy/Palermo 1998: 567, Goldin 1997: 126/127)

The government and the supporting international financial institutions clearly pursued a neoliberal remodelling of the welfare state as a whole. Nevertheless, they had clear priorities with regard to which areas had to be reformed most urgently, and in which areas a more gradual progress with further reaching compromises was acceptable. In this priority list, labour market flexibilisation and pension reform ranked above health care reform.(Lloyd-Sherlock 2005: 1896) Therefore, and considering the extraordinarily high importance which union leaders ascribed to the social health insurances, the threat of social health insurance reform served as ideal instrument for negotiating the approval of other reform projects of higher priority.(Lloyd-Sherlock 2005: 1897)

Trade union leaders seemed not necessarily to be inclined to cooperate with each other while workers' interests were at stake and the co-optation payments offered by the respective government were attractive. Yet, like in earlier occasions, the different fractions of union leaders rapidly re-united when their very personal interests were at stake. When Menem planned to give the "General Tax Office"(Dirección General de Impuestos/DGI) influence with regard to the assignment of the collected social health insurance contributions, the hitherto disunited union leaders rapidly closed their ranks in early 1992 and prepared for a general strike. Although the union leaders publicly denied that the reunification and the call for a general strike were related to the social health insurance reform project, the strike was immediately called off when the government agreed to withdraw the bill.(Goldin 1997: 118/119, McGuire 1997: 231)

The reunited CGT contained different standpoints, yet, pursued a rather government loyal course. In this CGT the more combative union leaders were marginalised, such as Víctor de Gennaro of the state workers' union and María Sánchez of the teachers' union, which eventually led to the foundation of the "Argentine Workers' Central"(Central de los Trabajadores Argentinos/CTA), a new independent trade union confederation with combative stances towards the neoliberal course of the government and more democratic structures. The CGT took a bit more combative positions in March 1993 when Naldo Brunelli of the metal workers' union

became secretary-general of the confederation. However, only shortly later the CGT moderated its course again as the legislative elections were nearing and Brunelli had received a slot on the list of PJ candidates for the house of deputies.(McGuire 1997: 231/232)

In 1993, the government advanced plans to introduce market mechanisms into the social health insurance system. The decree 9/93 mentioned for the first time the right of affiliates to switch between different social health insurances. However, the negotiations between trade unions and the government about the specific regulation of this right took several years, which implied that it was not effectively implemented until 1997, and eventually remained limited to some competition between union controlled social health insurances, excluding the private insurance sector.(Alonso 2007: 155)

In December 1993, the government announced a reduction of employer contributions to the social health insurances, which union leaders fiercely opposed, as this would have implied a significant reduction of their economic power, as well as a reduction of the health insurance quality for formal workers. In face of this, the largely government loyal CGT scheduled a general strike, which, however, was called off as soon as the government showed some disposition to negotiate, and tax authorities heralded that they were thinking about investigating the unions' finances, including that of the union controlled health insurances, as well as the personal possessions of various trade union leaders. This decision to call off the strike was criticised by some union leaders, which finally led to the foundation of a CGT internal current with more combative stances called "Movement of Argentine Workers"(Movimiento de los Trabajadores Argentinos/MTA).(McGuire 1997: 232/233) In December 1995 the government finally reduced employer health insurance contributions from 6 % to 5 %.(Lloyd-Sherlock 2006: 358)

The same year, the Ministry of Economy proposed, with financial and advisory support of the World Bank, a reform project which aimed at introducing full competition in the health insurance sector. This would have allowed affiliates not only to choose between different social health insurances, but also to switch to private health insurers. Yet, trade union resistance was again able to delay the project.(Lloyd-Sherlock 2005: 1897) Despite the pressures of the IMF and private insurers(La Nación 11th of April 1998), the government finally gave in to several trade unions demands, so that direct competition from private health insurances was blocked. Also the possibility to switch from a "blue collar" social health insurance to another of the "white collar" sector remained closed.(Lloyd-Sherlock 2005: 1897) The regulating decree 504/98 from 1998 even gave union leaders some influence with regard to the acceptance or decline of workers who wanted to switch from one insurance to another. Shortly after the

publication of the decree, the newspaper La Nación(14th of May 1998) insinuated the likely relation between the concessions made to the trade union leaders and the nearing presidential elections. In June 2000, the coalition government under Fernando De la Rúa decreed that from January 2001 on social health insurances would directly compete with private insurers. However, opposition from the trade unions and social health insurances was once more able to impede the implementation. The decree was suspended by the government in March 2001.(Alonso 2007: 159)

Despite the success of the trade unions in maintaining their control over the social health insurances, the government was able to introduce market competition between union led health insurance funds and to effectively reduce the already scarce redistributive character of the system. The disposition of the governments during the 1990s to give in to union demands regarding the social health insurances has to be understood in the light of the existence of other government projects which required union cooperation and which were of higher priority. (Lloyd-Sherlock 2006: 358) Furthermore, the extraordinary importance of the social health insurance funds for the trade union leaders provided incentives for the government to use social health insurance reform as a threat to discipline the trade unions more than as an instrument to resolve the severe problems that plagued the system. In this sense, concessions in the area of social health insurances became a central currency with which the government bought trade union support, or at least neutrality, when I came to labour market liberalisation, pension reform and the amendment of the constitution to allow the one-time re-election of the president. The back and forth in the social health insurance reform can also be related to the different positions within the trade union movement. Not all unions were generally against the introduction of affiliates' choice. Especially bigger unions, such as for example the retail clerk's trade union, hoped to be able to attract new members and hence widen their influence.⁹⁸(Alonso 2007: 161/163/164)

More profound than in the health sector was the reform of the pension system during the 1990s. With the initiation of the convertibility regime, Walter Schulthess, an economist and close ally of the minister of economy Domingo Cavallo, was designated head of the "Social Security Secretariat"(Secretaría de Seguridad Social). This was an hitherto uncommon personnel decision, as it were usually lawyers from the ministry of labour that were put in charge of the secretariat that dealt with pension policies. The appointment of Schulthess was one of the first

⁹⁸ However, the strategy of these trade unions failed. In practice most social insurance members with higher incomes opted for one of the smaller social insurance funds, which served as a "forefront" for private insurers, offering privileged conditions for young and well earning workers.(El Clarín 24th of April 2003)

signals for the profound “economisation” of pension policies that took place during the succeeding years.(Lo Vuolo 1998b: 215) From 1991 on, the secretariat worked on proposals for pension reform with the aim of full privatisation. The following year, the government passed a reform project to the congress which proposed the replacement of the pay-as-you-go system with that of individual capital accounts for all workers under 45 years of age, and modifications of the old system for those 45 years or older.(MTEySS/SSS 2003: 16) The employer associations were supporting this initiative, especially those of the financial sector.(Alonso 1998: 602) However, the proposal found no majority in the congress, as several PJ deputies representing the trade union movement were opposing it.(MTEySS/SSS 2003: 16) As has been argued in chapter 3.1., Carlos Menem had de facto very ample margins for the use of emergency decrees, which would have allowed the implementation of pension privatisation without approval of the congress. Yet, in this particular case an emergency decree was not an option, as the enterprises that were potentially going to compete in a privatised pension market declared that a privatisation by decree would not give them sufficient security with regard to the legal sustainability of the reform. Under these circumstances, the government was forced to mobilise parliamentary support for the reform.(Alonso 1998: 595/596) As can be seen in table 3, at that time, around 15 % of the PJ deputies were trade union representatives. To reach the approval of the law the government had either to win support from the opposition or to close their own ranks. As the main oppositional force, the UCR, decided to oppose the privatisation and proposed an alternative law project, the government had to concentrate on achieving support among their own deputies. This gave the trade unions important possibilities to influence the pension reform law.(Alonso 1998: 604) One controversial issue was the benefit formula. In this regard the trade unions were able to achieve a slightly higher core benefit(PBU) and changes in the calculation of the additional wage dependent benefit.(Alonso 1998: 610, Kay 2000: 12) The other conflictive point was the privatisation as such. The CGT initially refused privatisation at all. Yet, it was disposed to negotiate with the government. The latter, as so often, applied a mixture of carrots and sticks and co-optation tactics. Again, the social health insurance system served as instrument to threaten trade unions that were not willing to cooperate sufficiently. On the other hand, due to the particular parliamentary situation, the government was disposed to give in to some union demands. At the end, the system was only partially privatised, giving workers the possibility to opt between a private scheme and a reformed pay-as-you-go scheme.(Alonso 1998: 606 – 610) Once more the approval of trade union leaders was not only secured with concessions that made the reform less dramatic for workers(it still resulted largely detrimental for working class interests), but also with an offer that rather satisfied the personal power interests of the trade

union leaders, namely the right for trade unions to become themselves pension insurance companies.(Lo Vuolo 1998b: 222) Considering that trade union leaders resisted fiercely any attempt to weaken their control over the health insurances during the last 50 years, the attainment of control over pension funds as additional resource of economic, personal and organisational power can reasonably be seen as an attractive offer for union leaders, although less so for workers. Generally, some trade union leaders seemed to feel strongly attracted by the idea of converting their trade unions more and more into enterprises. So, for example, did the former state oil workers' trade union buy parts of the shipping fleet of the privatised oil company YPF. The light and power workers' union bought major shares of 15 power plants and opened a bank with the aim to enter the retirement fund business resulting from the partial privatisation of the pension system. The railway workers' union purchased several privatised railway lines.(McGuire 1997: 237) The retail clerks' union planned to manage a credit card and to offer life insurances. (Murrillo 1997: 433)

Finally the pension reform law 24.241 was approved by the congress in October 1993. (MTEySS/SSS 2003: 16, Lo Vuolo 1998b: 222) As has been described in 2.2., in practice the new system reflected much stronger the original intentions of the government than the described compromises seem to indicate, as several specific regulations of the law, some of them implemented afterwards, favoured the private scheme or reverted the concessions made to the trade unions.

The above described successes of formal labour to partially block reform initiatives of the government shall not detract from the fact that organised labour was clearly on the defence in the welfare state politics of the 1990s. The implemented reforms implied significant changes in the functioning of the health and pension system, which were disadvantageous for working class interests and welfare state adaptation. Trade unions were able to slow down the government in some areas, but they were not able to bring the government to support their interests. The failure of formal labour to exert stronger influence stemmed less from the weakness of the trade union movement in terms of membership or organisational resources than from the inclination of union leaders to prioritise their personal interests over those of their rank and files, to support a PJ government although it pursued neoliberal policies, and to engage in the game of co-optation.

The government clearly pursued policies that served largely upper class interests. The rising income inequalities implied that wealthier members of the social health insurances became increasingly dissatisfied with the quality of health care provided by many of these.(Lloyd-Sherlock 2006: 358) Therefore, better-off wage earners certainly had some interest in the introduction of the possibility to switch to another health insurance. With this regard, the trend

towards liberalising the health insurance sector has been an adaptation to the market demand of affluent clients.(Lo Vuolo 1998b: 233) As has been shown, also the pension system has been adapted towards the interests of the better-off. While low wage earners were increasingly excluded from the benefits of the system, although not from financing it, high earners benefited from the tighter link between contributions and benefits. This strategy potentially implied the loss of parts of the working class votes, but it made the PJ more attractive for well earning employees and self-employed. The neoliberal course of the government seemed to attract important parts of these groups. While in 1989 the presidential candidate of the liberal UCeDé received around 10 % of the votes, the PJ was able to absorb most of these votes in 1995.(De Riz 1996: 136)

Nevertheless, the most powerful support for the government came less from the better earning wage earners than from the employer sector and the foreign creditors. The latter were mainly represented by the international financial institutions. As has been alluded in 2.2., these played an important role as promoters, advisers and financiers in virtually all social policy reforms during the 1990s. From within the country the government had been strongly influenced by the employer sector. The interests of this sector in social policy reform have been best expressed by a document of the Argentinean Employers' Council(CEA) and the Foundation for Latin American Economic Research(FIEL) in 1995. The CEA had already provided the first minister of economy during the military dictatorship and became very influential again during the 1990s. It is impressive how strong the proposals of this document and the policy initiatives of the government coincide. The CEA-FIEL(1995) document demanded a reduction of employer contributions in all areas of the social security system, more market competition in the health insurance sector, privatisation and less redistribution in the pension system, a progressive graduation of the child allowances and a stronger unification of unemployment protection and social assistance policies combined with the introduction of work conditionalities. The government tried to comply with virtually all of these demands and was also able to implement most of them.

Although the split of the trade union movement during the 1990s put formal labour in a weaker position in face of the relative unity of the employer sector, it provided some chances to increase the pressure for welfare state adaptation as well. The alternative trade union confederation emphasised its independence from the PJ government, gave internal democracy a higher priority, and soon made the first attempts to construct an alliance with informal labour, allowing the affiliation of unemployed and informal workers, and demanding social policy measures that would benefit formal and informal labour alike.(e.g. Lo Vuolo 1998b: 213,

Golbert 2004: 24) The experience of the CTA moreover showed that this coalition strategy was capable of increasing the power resources of the trade union movement during these difficult times. While the CTA was able to significantly raise the number of affiliates during the 1990s, the exact contrary happened with the CGT. The two trade union confederations pursued very different lines with regard to the new social movements of the poor. While the CGT kept being focussed on the organisation of formal workers, and maintained a very distanced position towards the new social movements, the CTA tried to incorporate unemployed and informal workers, to take up their demands and to provide some kind of umbrella for their organisations. (Campione/Rajland 2006: 319, Palomino 2005: 23) Until today there exist several organisational links between “piquetero”⁹⁹ organisations and the CTA. (Golbert 2004: 20/21) Various of the CTA’s initiatives responded to the social needs of those outside the formal labour market, such as the demands to transform the child allowances in a universal right and to implement a universal non-contributory unemployment benefit. In contrast, most political initiatives of the CGT excluded informal workers. They aimed mainly at maintaining the fragmented and inequitable health insurance system, rising the amount of income exempted from income tax¹⁰⁰, increasing the benefits of the contributory unemployment insurance, raising child allowances for formal workers, and eliminating the progressive graduation of child allowances. (e.g. La Nación 26th of July 2000, Página 12 13th of July 2008, Clarín 7th of September 2008, La Nación 29th of October 2010) All these demands were only serving formal workers with stable jobs, and they were particularly favouring the better earning workers who benefited from the lack of solidarity in the health insurance system, the income tax exemptions, and so on.

Despite the positive trend in the number of affiliates, the CTA remained the minority fraction of the trade union movement. Its influence on the governments’ social policies was overall lower than that of the CGT. One of the main impediments for the CTA has been the hostility of the governments, which furthermore held ample faculties to hamper the work of the CTA and the affiliated trade unions. In Argentina, without the official recognition of the ministry of labour, unions do not possess the right to conduct most of the essential functions of a trade union, such as collective wage bargaining, and neither can they maintain a social health insurance. (Goldin 1997: 139) Until today the CTA and many of the affiliated trade unions are not fully legally

⁹⁹ ‘Piquete’ stands for road blockade in Argentina. As the social movements of the poor adopted road blockades as their principal form of action during the late 1990s these movements are commonly called “piqueteros”.

¹⁰⁰ The amounts exempted from income tax are actually considerably higher than the average income of formal workers. Therefore, only well paid workers would benefit from an increase of the tax exemption.

recognised and lack therefore many of the prerogatives that the CGT and the majority of the affiliated unions enjoy.(Página 12 6th of May 2010)

The alliance between the CTA and informal labour not only proved beneficial for the CTA, but also for the poor, who were able to significantly increase their organisational strength and the capacity to participate in the politics of social policy. The support of the CTA contributed to the formation of broader networks that incorporated several social movements. By this means the geographically highly fragmented social movements of the poor were able to coordinate their actions, breaking thereby the limitation of their political influence to the local level and entering the national stage of politics.(Masseti 2006: 31) One of the originally two biggest piquetero¹⁰¹ organisations, the “Federación Tierra y Vivienda”(FTV) was founded under the umbrella of the CTA trade union confederation. Also some smaller social movements, such as the “Asociación Tupac Amaru” and the “Movimiento Territorial de Liberación”, formed part of the CTA. (Golbert 2004: 18, Página 12 12th of December 2010) The second of the originally two biggest piquetero organisations, the “Corriente Clasista y Combativa”(CCC), was formed outside the CTA with the support of a small maoist party(PCR). Yet, also the CCC was cooperating closely with the FTV and the CTA. Around the turn of the millennium, the CCC and the FTV have been the most influential social movements of informal labour. Several more radical piquetero organisations formed an alternative coalition of social movements called “Bloque Piquetero”. (Golbert 2004: 18) The crystallisation of big networks of social movements towards the turn of the millennium allowed unprecedented levels of unity and cooperation.

Another important step for the strengthening of informal labour as a social force was the adoption of road blockades, called “piquetes” in Argentina, as primary form of protest. The first road blockades took place in 1996 in the provinces of Neuquén and Salta when petroleum workers tried to impede the loss of their jobs. Short time later, social movements started to incorporate this form of protest as a means to attain public attention and to reinforce their demands.(Merklen 2005: 76/77) Taking into consideration that most parts of informal labour have not been able to strike, the road blockades appeared to be an effective way for making their demands heard and creating pressure on the government.(Neffa 2008: 74/75)

This qualitative strengthening of informal labour’s power resources allowed the social movements to negotiate their social policy demands directly with the federal government from the second half of the 1990s on. The distribution of social benefits, particularly with regard to the so called “Work Programme”(Programa Trabajar), were the central issue of these negotiations.

¹⁰¹ Most of the social movements are called „piqueteros“ since the late 1990s as they adopted road blockades(piquetes) as their primary form of protest.

On the one hand, the Work Programme pursued not only the alleviation of poverty or unemployment, but also the pacification of the poor's protests. Yet, on the other hand, the establishment of direct negotiations between social movements of the poor and the federal government implied the consolidation and recognition of informal labour as an actor in the national politics of the welfare state.(Masseti 2006: 31) Some social movements were given the administration of a certain quantity of Work Programme benefits, which they hence distributed internally among their members.(Neffa 2008: 74/75, Merklen 2005: 66) The attainment of plans served both the survival strategies of the poor affiliates and the consolidation of the respective leaders' positions in these organisations.(Golbert 2004: 21/22)

With the assumption of president De la Rúa in late 1999 the relations between the government and the social movements began to deteriorate again. According to Julio Neffa(2008: 74/75) the increasing intensity of disputes was mainly due to attempts of the government to reduce the number of benefits and to change the mode of access, while the economic recession that the country was experiencing since late 1998 simultaneously deteriorated the economic situation of the poor. Moreover, the new government was less disposed to accept the piquetero organisations as legitimate negotiating partner.(Golbert 2004: 20) Beginning in late October 2000, 3500 activists of social movements blocked the important "Route 3"(Ruta 3) in the La Matanza district in greater Buenos Aires during one week demanding employment.(Merklen 2005: 74) Similar actions were undertaken during the following months. During 2001 two national assemblies of piquetero organisations were held, at which the big majority of the social movements of the poor participated. On these assemblies the multiple social movements agreed on intensifying the road blockades and finally concluding the year with an open-ended protest action.(Golbert 2004: 20, Svampa 2008: 21)

During the same year the CTA initiated the "National Front against Poverty"(Frente Nacional contra la Pobreza/FRENAPO), which included besides trade unions also deputies, human rights organisations, and even some bishops and employers. The FRENAPO elaborated a proposal that suggested the implementation of a non-contributory unemployment protection scheme that would guarantee every unemployed head of household 380 pesos per month, the universalisation of child allowances of 60 pesos per month, and a non-contributory minimum pension of 150 pesos per month for the elderly.¹⁰² In an informal referendum during December 2001 the proposal received more than one million supporters in only a few days.(Campione/Rajland 2006: 319, Golbert 2004: 24)

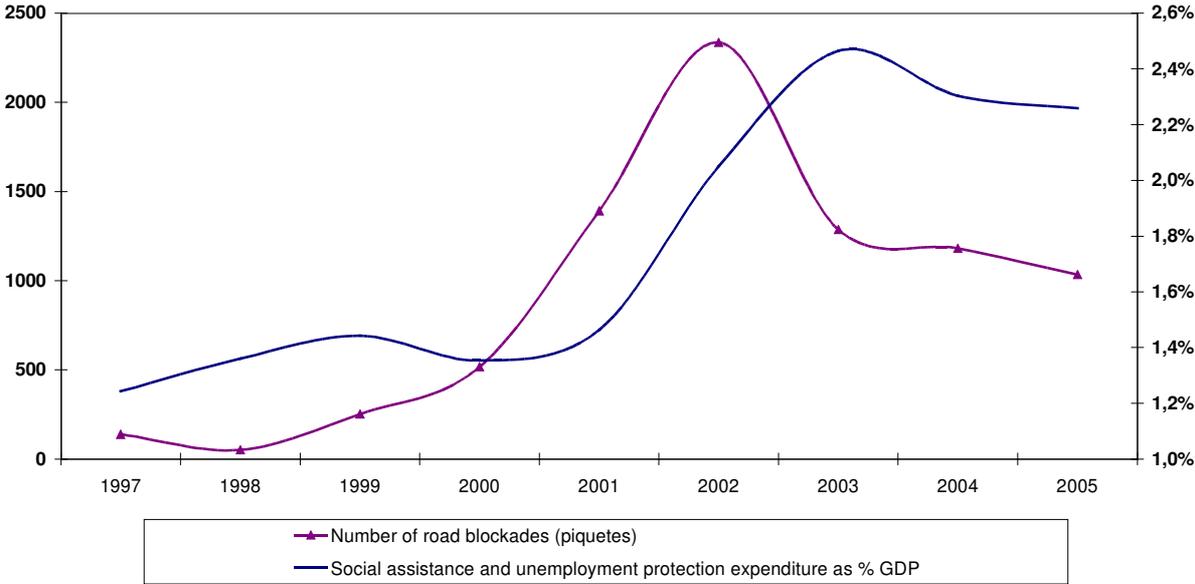
¹⁰² In 2001, 380 pesos still equalled 380 dollars.

The internal unity of informal labour and the alliance with the most progressive fraction of formal labour gave the demands for welfare state adaptation unprecedented weight. The strength of these actors was moreover reinforced by external factors. In face of the dramatic deepening of the economic crisis and an acceleration of capital flight in the second half of 2001, the government implemented the so called “corralito”, a restriction to the withdrawal of money from bank accounts. This measure, in turn, led to a wave of protests of the middle classes, further aggravating the situation of the government. On the 19th of December 2001, middle class protests and the social movements of the poor united on the Plaza de Mayo, the central place in front of the government headquarters, to demand the resignation of president De la Rúa. The president, however, declared the state of emergency and disposed the repression of the protests. After one week of intensive conflicts and a balance of 26 deaths De la Rúa had finally to resign.(Neffa 2008: 77/78, Golbert 2004: 11 – 14)

Under these circumstances, the demands of the poor could not be ignored. The succeeding interim president Rodríguez Saa acknowledged that the state had to respond to the situation of the the poor with social policies. In his introductory speech Rodríguez Saa promised the creation of one million jobs. However, due to the lack of support from his own party(PJ) he resigned only one week later. As soon as Eduardo Duhalde assumed as Saa’s successor, the social movements turned out on the streets again and demanded the compliance with the promise of one million jobs. The piquetero organisations have been able to significantly increase the number of activists during those months. According to an interview of Laura Golbert(2004: 20) with one of the coordinators of the CCC, the number of members of this organisation rose only between late 2001 and early 2002 from 12,000 to more than 50,000 persons. The conservative newspaper Perfil(30th of March 2007) wrote later that the FTV and the CCC together reached a membership of about 150,000 during the peak of the crisis in 2001/2002. These numbers still do not include the members of a multitude of smaller piquetero organisations. In face of the strength of the social movements and the instability of his government, Duhalde declared that he would keep the promise in form of a non-contributory unemployment protection scheme called “Programme for Unemployed Heads of Households”(PJJHD).(Golbert 2004: 12/13/20) However, like it was the case with anterior social assistance and unemployment protection programmes, the decree that implemented the promised social policy in late January 2001 limited the number of benefits to a certain budget that would be determined by the government. This implied that many of the unemployed would eventually remain excluded from the programme.(Pautassi/Rossi/Campos 2003: 4) Aware of the vulnerability of his government, Duhalde called for multi-sector negotiations to legitimate his social and economic policy.(Neffa 2008: 76/77) The invitation

included the two trade union federations CGT and CTA, various employers' associations, the piquetero organisations and representatives of the church.(Golbert 2004: 16) Although the benefit level of the programme remained very low with 150 pesos per month, the negotiations led to the abolition of any budgetary restriction to the programme and to the introduction of stricter control mechanisms than foreseen by the government.(Decree 565/2002) The acknowledgement of the social movements as negotiating partners in meetings that involved powerful employers' associations and trade union confederations shows how much the power resources of these movements had grown since the late 1990s. Figure 44 shows a strong correlation between the rise in the number of road blockades and the increase in social assistance and unemployment expenditure.

Figure 44: The number of road blockades and social assistance and unemployment protection expenditure



Elaborated by the author. Sources: For the number of road blockades: Massetti (2006: 30). For social assistance and unemployment protection expenditure: DAGPyPS(2010).

The economic crisis between the second semester of 1998 and the first semester of 2002 importantly changed the distribution of power resources between the different social forces involved in the politics of welfare state adaptation. As has been argued, informal labour was able to increase its power resources in various aspects. Its organisations were growing rapidly and the multitude of social movements increasingly managed to coordinate their actions and demands, while additional support came from the CTA. Formal labour remained largely on the defence and

the majority fraction of the trade union movement, the CGT, suffered from growing fragmentation. However, also the unity of the employer sector started to break from the late 1990s on. While during the early 1990s the different employer sectors converged around the support for the massive privatisation programme that was linked to the neoliberal adjustment and the convertibility regime, after the completion of the sell out of state enterprises the different sectorial interests with regard to the overvaluation of the currency came increasingly to the forefront. The convertibility regime, which fixed an exchange rate of one to one between the Argentine peso and the US dollar, became more and more unsustainable, and employers were vastly disagreeing about what kind of exchange rate policy should replace the convertibility regime. On the one hand, external creditors, service providers and enterprises that were indebted in foreign currencies supported the proposal of a dollarisation of the country. This way they would have avoided the skyrocketing of the value of their foreign debt measured in national prices, and foreign investors in the service sector would have maintained the dollar value of their investments in Argentina. On the other hand, export oriented industries and agricultural enterprises, including those with participation of international capital, as well as any enterprise that had invested bigger amounts outside Argentina, were strongly in favour of a currency devaluation, as this was going to increase their international competitiveness and the local value of their foreign investments. (Basualdo 2001: 58 – 74/85 – 101)

Finally, president Duhalde decided to effect a currency devaluation. Besides the dramatic short term effects, particularly the skyrocketing of poverty, this radical turnaround in the exchange rate policy led to structural changes in the Argentinean economy that were going to condition a new distribution of power resources between the main social policy actors. While the longstanding deterioration of the labour market had put formal labour in the defence since 1976, the devaluation of the exchange rate initiated a period of rapid economic recovery and a modest trend of reindustrialisation. The devaluation furthermore changed the relation between labour and capital costs in favour of more labour intensive modes of production. In this context the labour market started to recover¹⁰³, and trade unions were able to gain strength again. The political post-crisis context further contributed to the recovery of the trade union movement's political weight, especially that of the majority fraction CGT, which managed to reduce its internal fragmentation. Informal labour had entered the politics of welfare state adaptation as a powerful actor during the years of crisis. However, with the return of economic growth and the coming into power of a centre-left government, the social movements of informal labour

¹⁰³As has been shown in 2.1., the labour market recovery during the last years has still not been able to reverse the dramatic deterioration that took place during the preceding quarter of a century.

increasingly suffered from fragmentation and co-optation through the government. The cooperation among different social organisations was more and more limited to fractions of informal labour. Employers, especially those sectors which have been strongest associated with the mode of accumulation during the 1990s by the public opinion, such as the financial sector and foreign creditors, experienced a certain political discreditation, which reduced their influence over social policies.

These shifts in the distribution of power relations had impacts on the direction that welfare state reform took after the peak of the crisis. Social assistance and unemployment protection expenditure has been slightly reduced until 2009, but at a lower pace than poverty and unemployment rates were decreasing. In 2009, expenditure on these policies increased significantly due to the introduction of the so called Universal Child Allowance and the Argentina Works programme. Pension reform after 2002 clearly benefited the interests of informal labour, as the so called pension moratorium allowed more than two million poor elderly to access a pension benefit. Also the elevation of the minimum pension was favourable for informal labour. The reintroduction of pension indexation in 2008 has been a central demand of the trade union movement and most of the parliamentary opposition. The renationalisation of the pension system was in the interest of the lower earning contributors and supported by the trade unions. Moreover, the renationalisation was particularly interesting for the government, as it opened certain access to the enormous amounts of accumulated capital from the individual pension accounts. In the context of two financial crisis during only one decade, and the lack of unity of the employer sector, the politically weakened financial sector was not able to impede this step. With regard to the health sector, no significant attempts of reform have been undertaken. This can be related to the negative experience of the anterior decades. During these, all attempts of health care reform largely failed. Moreover, the recovery of trade union leaders' power resources raised the political costs of such a reform.

During the peak of the economic crisis, social actors outside the government achieved significant influence over the design of the PJJHD unemployment protection scheme. The multisectorial negotiations had for the first time limited the discretionary character of social assistance programmes in Argentina, as they established the right to a PJJHD benefit for any unemployed head of household who fulfilled the requirements determined in the decree 565/02. However, as soon as the political situation seemed to stabilise again, the government started to reverse the “rights”-character of the programme. An internal resolution of the ministry of labour disposed that the inscription to the programme was going to end on the 17th of May 2002, which implied that after this date nobody would be anymore able to access a benefit of this programme

via the legally established path. Nevertheless, Julio Neffa(2008: 102) shows that the number of benefits continued to grow until 2003, which the author relates to the hand out of benefits outside the legally established path. According to Laura Golbert(2004: 21) approximately 10 % of the programme benefits were handed out in negotiations between the government and piquetero leaders, and a somewhat bigger share through clientelistic party networks at the local level. The restriction of the access to the programme's benefits was not only beneficial for the government in fiscal terms, but allowed it to use the programme as a powerful instrument for divide and rule and sticks and carrots tactics towards the piquetero organisations.(Merklen 2005: 86) While the administration of a certain number of benefits were the carrots for those who were disposed to cooperate, violent repressions were the sticks for those who were not. The repression culminated with the death of two piqueteros and hundreds of injured persons in June 2002, which, however, turned out to be politically costly for the interim president Duhalde.(Svampa 2008: 21)

The following president from the centre-left wing of the PJ party, Néstor Kirchner, tried to avoid open repression and applied instead a mixture of integration and co-optation tactics towards the more moderate social movements, and legal forms of repression towards the more radical groups. A part of the piquetero movement was indeed disposed to support the new government, while the more radical organisations opposed it.(Svampa 2008: 22/23) The FTV immediately declared its support to president Kirchner. Initially the CCC was more critical, but finally also took a rather government friendly position during Néstor Kirchner's presidency. Eventually, the differences between the CCC and the FTV led to the dissolution of the long-standing coalition between the two movements. Also the more radical Bloque Piquetero suffered from internal fragmentation. While some of the social movements of this bloc decided to support the government, the majority was opposing it.(Masetti 2006: 31) The cooperation with the government appeared beneficial for the social movements, and in particular for their leaders. Government loyal organisations were strongly favoured in the distribution of social benefits, such as housing construction plans, scholarships, unemployment benefits, and so on. So, for example, were the FTV, and during some years also the CCC, incorporated into a housing programme for the construction of several thousand houses.(Página 12 3rd of August 2003, Svampa 2008: 23 – 25) The so called “Movimiento Evita” opened various cooperatives whose products were bought by the Province of Buenos Aires.(Escudé 2007: 5/6) Several leaders of these social movements got furthermore posts in different levels of the government. So, for example, Jorge Ceballos, leader of the piquetero organisation “Barrios de Pie”, became an official in the ministry of social development in 2004. Emilio Pérsico, leader of a social movement called “Movimiento Evita”, participated in the government of the Province of Buenos

Aires under the governor Felipe Solá.(Escudé 2007: 2 – 5) Edgardo Depetri, founder and leader of a social movement called “Frente Transversal Nacional y Popular”, was deputy in the government bloc between 2005 and 2009 and got a sub-secretary post in the government in 2010.(Página 12 17th of March 2010) The leader of the FTV, Luis D’Elía, already cooperated with the government since 2003 in the execution of housing construction programmes, and became government official during a short period in 2006, leading the “Subsecretaría de Tierras para el Hábitat Social”.(Página 12 3rd of August 2003, Svampa 2008: 24) D’Elía had to resign short time later after he publicly defended the Iranian government, which proved unfavourable for the image of the government.(Página 12 14th of November 2006) However, to preserve the tight relation between the government and the leadership of the FTV, D’Elía’s wife, Alicia Sánchez, became an official in the ministry of social development, and Rubén Pascolini, another representative of the FTV and close ally of D’Elía, was going to occupy the post from which the latter had resigned.(Página 12 26th of January 2007) According to the newspaper La Nación of the 11th of June 2006, at that moment around 50 representatives of social movements aligned with the President were government officials in different ministries and departments.

Towards those piquetero organisations which continued to oppose, the Kirchner government applied judicial measures of repression, namely the massive initiation of legal processes against participants of road blockades. By criminalising and stigmatising their protests, the government contributed to the creation of a public opinion largely hostile towards the social movements of the poor. Under these adverse circumstances, the oppositional social movements suffered from increasing fragmentation and a weakening of their mobilisation capacities. Ideological differences between several of these social movements came again stronger to the forefront and cooperation between them was increasingly limited.(Svampa 2008: 24 - 27)

At the same time, and due to the favourable treatment of the government, Kirchner loyal social movements were able to expand their rank and files. Besides co-opting existing organisations, the government also promoted the creation of new structures. One of the biggest organisations today, the “Movimiento Evita”, was founded in November 2005 with the explicit aim to organise the poor in support of the government of Néstor Kirchner.(Interview with Emilio Pésico in La Nación 19th of November 2005) As Maristella Svampa(2008: 24) argues with regard to Luis D’Elía, leader of the FTV, the government loyal organisations increasingly departed from their originally very democratic roots and went over to a rather personalistic style of leadership.(Svampa 2008: 22 – 27)

It is striking how much the co-optation of the piquetero movements through the Kirchner governments resembled the co-optation of the trade unions through the peronist governments

during the 1940s and 1950s. In both processes social policy played a central role. Like it was the case with the social health insurances during the 1940s, the social movements were not just rewarded with social policy measures in favour of the social class they were originating from, but by giving the leaders of these movements direct control over the administration of these social programmes. The more the respective leader was willing to support the government, the more was he favoured in the distribution of social benefits. In turn, the distribution of these social benefits within the organisation consolidated the intra-organisational position of the respective piquetero leader. Like in the case of the trade unions, the government has thereby promoted a personalistic style of leadership, which gave the leaders a certain autonomy from their rank and file and made their “cooperation” more flexible. A look at Argentinean newspapers, independently of their political line, shows how pronounced this personalism indeed was. Firstly, the names of piquetero leaders such as Luis D'Elía, Edgardo Depetri or Emilio Pérsico have been much more often mentioned than the actual names of the organisations they represented. And secondly, when newspapers referred to these social movements, they usually wrote Edgardo Depetri's “Frente Transversal” or Emilio Pérsico's “Movimiento Evita”. As a consequence, the names of the leaders of these organisations were more commonly known than those of the organisations themselves. So, for example, has Emilio Pérsico been named in 827 articles in the newspaper La Nación between the 1st of January 2006 and the 22nd of December 2010, while the movement he leads has only been named in 435 articles during the same period. The way in which social policies were used to co-opt the leaders of the piquetero movements created, similar to what happened with the social health insurances in the case of the trade unions, strong personal interests of the leaders in the control over these policies, which, however, was not necessarily in the interest of the poor. Paradoxically, the establishment of the control over the distribution of social benefits created little incentives for piquetero leaders to prioritise the introduction of universal benefits for all needy persons, as this would basically have meant the loss of one of the main pillars of their personal economic and political power. Furthermore, the establishment of such a clientelistic relationship motivated the government to avoid the introduction of universal programmes, as these would not serve any more for co-optation tactics. Like the peronist governments during the 1940s and 1950s, Kirchner combined the co-optation of existing organisations with promoting the creation of new structures, while oppositional groups were pushed back through (legally) repressive means, as well as the discrimination in the assignation of social benefits. Although this strategy allowed government loyal piquetero organisations to capture new affiliates, like it also had happened with the trade unions during the

1940s and 1950s, they were losing important parts of their independence and of the capacity to effectively defend the interests of informal labour.

While the piquetero movement lost the strength and unity that it had achieved during the years of crisis (Svampa 2008: 18/22), the majority fraction of the trade union movement, the CGT, was able to increase its unity and its power resources after 2002. In 1997, the more combative MTA current had de facto left the CGT (McGuire 1997: 232/233), which was formalised in 2000 with the formation of the so called CGT-disidente. Yet, in 2004 the two CGT's reunited again, which brought the former MTA-leader Hugo Moyano to the top of the confederation. (Campione/Rajland 2006: 317/318) At the same time, the Kirchner governments, in contrast to the PJ governments of the 1990s, assigned bigger importance to the traditional alliance between the PJ and the CGT. (Svampa 2008: 28) The CGT leader Hugo Moyano ascended during the last years into the leadership of the PJ, becoming the party's vice-president. Under these circumstances, attempts to reform the inequitable system of social health insurances were not to be expected, as this would have threatened the vital trade union support to the government.

Contrariwise, the more progressive trade union confederation, the CTA, has been confronted with internal discussions, and ultimately open disputes, about the CTA's positioning with regard to the government. (Campione/Rajland 2006: 318) In the moment of writing this text the CTA is breaking apart due to the differences between one sector that supports the government and another which is opposing it. (Página 12 12th of December 2010) As will be seen later, the split of the confederation is partly the result of the government's co-optation tactics, and again social policies played a decisive role. However, in the more democratic CTA this strategy was pursued in a quite different way and was not linked to the social health insurance system.

The CGT achieved frequent and direct dialogue with the governments of Néstor and Christina Kirchner, which also included the discussion of the CGT's social policy demands. These meetings were often followed by increases of the family allowances, the minimum wage, tax exemptions for well earning workers, and so on. The CGT and the government have also been discussing the assumption of debts of the social health insurances through the state and increases of the income assessment threshold for employer contributions to increase the revenue of the health insurances, or at least to avoid the reduction of these due to inflation. With regard to the pension system the CGT demanded benefit level increases and the re-introduction of an automatic indexation mechanism, which had been abolished during the 1990s. The CGT was also in favour of the renationalisation. Already before the government implemented the first steps towards a stronger role of the state in the system, such as the facilitation of affiliates' possibility to change from the private to the public pension scheme, the CGT had proposed such

measures. Overall, the CGT has been relatively successful with many of its social policy demands.(e.g. La Nación 23rd of November 2004, 6th of April 2006, 22nd of August 2006, 11th of August 2008, 11th of September 2008, 20th of September 2008, El Clarín 2nd of May 2009) However, virtually all of these demands were concentrated on incrementing the expenditure on the traditional social insurance systems. They did not pursue their adaptation towards an inclusion of the big number of poor and informal workers that had been excluded from these systems due to the long-standing deterioration of the labour market.

The CTA, although it also supported many of the CGT demands, prioritised to pressure for the introduction of non-contributory universal social rights, explicitly aiming at the inclusion of all those excluded from the social insurance systems.(e.g. La Nación 26th of April 2004, 4th of September 2006, 12th of December 2008) Until the electoral defeat in the 2009 legislative elections, these demands had little success in influencing the government's social policy agenda.

The pension reform trends during the 2000s have certainly been influenced by the new distribution of power resources. While the strongest proponents of the regressive and privatising reforms during the 1990s, namely the international financial institutions and the national financial sector, have been politically weakened through the economic crisis in 2001/2002 and 2008/2009, the adversaries of these reforms, namely the organisations of informal and formal labour have been recuperating strength. The Kirchner governments have furthermore been depending on the support from the trade unions and the poor sectors, in elections as well as on the streets. Besides these incentives for the government to bring pension policies on a more egalitarian path again, the broader political context provided a kind of window of opportunity, which largely allowed to effect these reforms with reduced political costs, while being able to harvest the full political benefits. As has been described in 2.2., the Menem government had abolished the automatic indexation of public pensions during the 1990s in a context of virtually no inflation. However, (moderate) inflation returned after the devaluation of the currency. Considering the absence of automatic indexation rules, the government was required to actively raise pension levels if these were not to lose their real value. The Kirchner government has been raising pension levels, however, increasing the minimum pension significantly above inflation levels, while incrementing the higher pension benefits rather below inflation level. In this sense, the government was able to redistribute pension expenditure from the better off to the poorer pensioners without having to actively legislate pension level reductions for anyone. The higher pension levels were basically cut automatically by inflation, whereby the government certainly avoided being blamed in the same way as if it would have legislated pension cuts. At the same time it could claim credits for the frequent and significant increases of the minimum pension.

In the long run, however, the lack of automatic indexation rules led to discontent among all those who had received pensions above the minimum. A high number of legal processes was initiated by pensioners who demanded adequate pension indexation, seeing it as their right because the famous article 14bis of the constitution theoretically guaranteed the indexation of pensions. The diffusion of legal claims as a form of exerting political influence on pension policies was supported by an extensive net of pensioners associations which had spread around the country since the 1970s, and which not only organised social activities but also provided legal advice and helped to coordinate potential claimants with each other.(Smulovitz 2008: 297) Moreover, several parties of the fragmented opposition¹⁰⁴ put the topic on their agenda.(Página 12 13th of August 2006) Other oppositional parties soon joined the chorus in demand for a mechanism of pension indexation, which was also actively supported by the CTA.(Página 12 15th of November 2006) In 2007, the supreme court decided in the case of Mr Badaro, that he had the right to pension benefit indexation linked to the general evolution of wages. This decision boosted the initiation of thousands of new claims.¹⁰⁵ In 2008, the government finally gave in to these demands and reintroduced rules for the indexation of pension and family allowance benefits.(Arza 2009: 16/17)

Although the expansion of pension coverage was largely based on temporally restricted measures, it implied an important progress towards adapting the welfare state to the needs of those who had been excluded from the formal labour market for prolonged periods. On the one side, this measure brought about the possibility for the government to increase their support among important parts of the elderly and their families. On the other side, the measure implied significant fiscal costs. Yet, also in this respect the circumstances proved extraordinarily favourable. As has been argued before, the distribution of power resources has been favourable for the renationalisation of the pension system during the 2000s. First, the government transferred certain groups from the private to the public system and finally renationalised the whole system. According to Camila Arza(2009: 13), the additional revenue of the public system, resulting from the incorporation of contributors from the private scheme, became the main source for financing the expansion of coverage through the “pension inclusion plan”. By this means, the government was able to claim the credits for the extension of coverage without having to face immediately the fiscal costs of the measure.

¹⁰⁴ So, for example, the centre-left Socialist Party(Partido Socialista) and the ARI, as well as the traditional centre party UCR.

¹⁰⁵ In 2008 nearly 4,800 new legal claims were initiated each month.(Arza 2009: 16)

In technical terms the renationalisation of the pension system did not produce bigger difficulties, as the public pay-as-you-go system already existed.(Arza 2009: 19) Due to the fact that the benefits of the private scheme did not comply with the expectations of the privatisation period, and increasingly fell behind those of the public scheme, little resistance against a renationalisation was to be expected from contributors. The government even promised that no one would receive lower benefits from the public pension system than he or she would have received if he or she had remained affiliated to the private system. While the additional revenue originating from the transferred contributors largely financed the expansion of coverage, the nationalisation of the assets accumulated on the individual pension capitalisation accounts constituted another benign result for the government.(Mesa-Lago 2009: 18/19) In the context of a global financial crisis during 2009, the government exerted influence on the management of the transferred assets, the so called pension sustainability fund(FGS), so that an increasing proportion would be invested in anti-cyclical “productive and infrastructure projects”.(El Clarín 30th of November 2008) Parts of the transferred money from the pension funds was therefore given as credits at very low interest rates. So, for example, between May and September 2009, several public energy companies received loans of more than two billion Argentine pesos at LIBOR¹⁰⁶ rate plus five additional percentage points.(López Alfaro/ANSES 2009: 27) The LIBOR rate for a 12 month loan was only 1.5 % in July 2009. (http://www.wsjprimerate.us/libor/libor_rates_history.htm opened 27th of October 2010) Considering the five percentage points additional interests, the total annual interest rate was around 6.5 %. However, the inflation averaged about 15 %(IPEC Database) during 2009, which meant that the so called pension sustainability fund(FGS) lost money by lending to public enterprises. In September 2009, already around 6 % of the FGS assets were invested in “productive and infrastructure projects”.(López Alfaro/ANSES 2009: 13) By this means, the FGS subsidised public infrastructure programmes, which would otherwise have required financing from the government’s budget. The deterioration of the economic outlook in the context of the global financial crisis, and the perception of an urgent need to stimulate the economy, may explain the velocity with which the government implemented the renationalisation. This seems even more reasonable when it is considered that in 2009 were legislative elections.

Nevertheless, the 2009 legislative elections resulted in a harsh defeat for the government, which had been undertaking a politically costly confrontation with the powerful agricultural producers and the biggest media enterprises during the preceding two years. In contrast to the

¹⁰⁶ LIBOR = London Interbank Offered Interest Rate.

PJJHD programme in 2002, the introduction of the “Argentina Works” programme and the so called “Universal Child Allowance” during 2009 were not a response to massive protests of social movements, but the reaction to the dramatic electoral defeat in the legislative elections. As has been argued in 2.2., the Universal Child Allowance can be considered as a small but decisive step in the direction of welfare state adaptation, as it guarantees for the first time a genuine social right to a cash transfer for poor families that fulfil certain requirements. Hitherto all social assistance programmes have been of discretionary nature and served ideally for vote-for-favour electoral strategies. Why then has the government reacted to the electoral defeat by introducing a programme that poses severe limitations to the clientelistic distribution of social benefits?

Since the CTA had initiated a massive campaign in the early 2000s, the majority of the parties of the opposition¹⁰⁷ gradually joined the demand for a universal child allowance.(e.g. La Nación 13th of September 2004, 14th of October 2007, 22nd of October 2009) By implementing it the government probably tried to take the wind out of the opposition’s sails. The extension of a social right that already existed for most middle class families, furthermore served to invalidate the widespread critique from the media regarding the clientelistic practices associated with anterior social assistance programmes. Yet, another very pragmatic reason made the extension of child allowances attractive for the government. As has been described in 2.2., the Argentine child allowance system forms part of the social insurance system and is not financed by general taxes. The social insurances system, except the social health insurances, is administrated by the ANSES (National Social Security Administration). As has been mentioned before, via the FGS, the ANSES administrated enormous resources, around 10 % of the GDP, that had been transferred from the nationalised pension capitalisation accounts. However, due to a certain institutional autonomy of the ANSES, the government had only restricted access to these funds. As the child allowances were responsibility of the ANSES, the costs of an extension of the child allowance system could be easier financed through the FGS assets than other social assistance programmes. Since late 2009, the returns of the FGS have been used to finance the costs originating from the Universal Child Allowance. Gasparini and Cruces(2010: 20) estimated these at about 1 % of the GDP per year. This move allowed the government to expand social spending without having to use money from the national budget. Indeed, the contrary was the case: as the so called Universal Child Allowance was replacing other national income transfer programmes, which had hitherto been financed by the national budget, the government even increased its fiscal scope.(El Clarín 14th of May 2010) While the government immediately benefited politically from the expansion of social expenditure and the extension of its fiscal scope, without

¹⁰⁷ UCR, Partido Socialista, Proyecto Sur, Coalición Cívica.

having to recur to politically costly steps, such as tax increases, the fiscal costs of these actions were not going to arise until several years later.(Mesa-Lago 2009: 29/30)

The second social assistance programme that the government implemented shortly after the electoral defeat, the so called Argentina Works Programme, can rather be considered as an extreme form of welfare state clientelism. A big share of the benefits was handed out to government friendly piquetero organisations, and another big part was going to local patronage networks of the government party. Interestingly the programme was not result but origin of a wave of piquetero protests. This had to do with the fact that the government was mobilising support for the 2011 presidential campaign of Néstor Kirchner. For this purpose the benefits were distributed among those social movements that were disposed to support this campaign, which, however, most of the left-leaning piquetero organisations were not willing to do. As a consequence these organisations were strongly disadvantaged in the repartition of benefits, which led to massive protests and road blockades. Hundreds of articles in *El Clarín*, *La Nación*, *Página 12* and other newspapers document the political negotiation processes between social movements and the government that took place in the months after the announcement of the programme. In simplified terms, the piquetero movement was divided into two blocs. One disposed to support the government and to negotiate the distribution of the benefits, and a second one opposed to the government trying to obtain the control over a share of the 100,000 benefits through the confrontation of the government with protest actions. Both groups have been involved in numerous meetings with the ministry of social development led by the sister-in-law of the president. However, the first bloc has been clearly favoured by the government. The conflict showed that the fragmentation of the piquetero movement was about more than just support or opposition to the government. Within each bloc, the different groups, or more precisely their leaders, pursued the maximum amount of benefits for his or her respective organisation, although reaching this goal was very likely in detriment of other unemployed organisations. Therefore, within each bloc social movement leaders were competing about the control over benefits, which enabled the government to apply divide and rule and co-optation tactics even more efficiently. The two social movements most favoured in the repartition of benefits were the *Movimiento Evita*, which was given the control over between 15,000¹⁰⁸ and 30,000¹⁰⁹ benefits, and the *Frente Transversal Nacional y Popular* with over 5,000¹¹⁰ benefits. Shortly after the repartition of the benefits, the *Movimiento Evita* led by Emilio Pérsico flooded

¹⁰⁸ *La Nación* 14th of February 2010.

¹⁰⁹ *La Nación* 3rd of September 2010.

¹¹⁰ *La Nación* 14th of February 2010.

the agglomeration of Buenos Aires, in which over a quarter of the Argentinean population lives, with posters campaigning for Néstor Kirchner's 2011 presidential candidacy. The money spent on the workfare programme was not only co-opting voters by handing out benefits to them, but a part of it was probably directly invested in campaigning.(e.g. El Clarín 9th of November 2009, 28th of May 2010, La Nación 14th of February 2010, 24th of March 2010, 3rd of September 2010, Página 12 4th of November 2009, 2nd of February 2010)

The organisation which received the second biggest number of benefits, the Frente Transversal Nacional y Popular led by Edgardo Depetri, had not only been a loyal supporter of the Kirchner governments since its foundation, but formed part of the CTA, which gave it an additional strategic importance for the government. As has been mentioned before, the CTA allowed, in contrast to the CGT, the direct affiliation of unemployed and informal workers, so that most of the members of the Frente Transversal Nacional y Popular were also members of the CTA. These affiliates were entitled to participate in the election of the CTA leadership. Traditionally, the CTA emphasised its independence from the government. Yet, in 2006, for the first time an internal current of the CTA that supported the Kirchner government won the leadership elections.(El Clarín 11th of November 2006) In the following elections in September 2010, the re-election of the government friendly CTA leader Hugo Yasky seemed to be uncertain. In this context, the Argentina Works Programme constituted a useful instrument to influence the union elections in favour of the government friendly list of Hugo Yasky. There have been accusations that, with the help of the Frente Transversal Nacional y Popular and other government loyal piquetero organisations within the CTA, the government had affiliated around 23,000 recipients of the Argentina Works Programme to the trade union confederation, who were indicated to vote for the list of Hugo Yasky.(La Nación 1st of August 2010) Nevertheless, the oppositional list led by Pablo Micheli won the elections with an advantage of around 18,000 votes. Shortly after the declaration of Micheli's victory, the government loyal sector deplored that there had been irregularities in several electoral districts. This motivated the ministry of labour to use its ample prerogatives to intervene into the conflict prolonging the mandate of Hugo Yasky.(El Clarín 2nd of November 2010) The government had good reasons to do so, as Pablo Micheli announced short time after the elections that he intended to organise a general strike against the government, among others demanding higher wage replacement rates for pensions and changes in the system of family allowances.(El Clarín 3rd of October 2010)

d) The interplay of co-optive welfare state politics, power resources and welfare state adaptation failure

The evolution of the distribution of power resources had important impact on the failure of welfare state adaptation. In the long run, capital has been the social force that benefited most from the shifts in the distribution of power resources after 1975, and at the same time, it has also been the social force with strong interest in avoiding effective welfare state adaptation. Although the poor were able to somewhat increase their scarce power resources, the weakening of formal labour has been so profound that the interests of capital were able to increasingly shape the governments' policy agendas. Nevertheless, assuming a mechanic translation of increasing economico-political power of capital into welfare state adaptation failure would be a simplification of a complex relationship.

Social forces are not homogeneous and have a wide range of interests, of which some may rank higher than social policy. So, for example, has been shown that the implementation of economic policy reform, certainly a higher priority for capital than social policy reform, required concessions of diverse nature to avoid trade union resistance that would finally turn out economically and politically more costly for employers than the expectable benefits from the reform itself. Some of these concessions were related to social policy, as for example with regard to the social insurance system. The necessity to make concessions would have potentially enabled formal and informal labour to make some progress towards welfare state adaptation. However, the co-optive dynamics of the Argentine welfare state politics hampered the effective transmission of working class interests into pressure towards welfare state adaptation. The personalistic organisation of leadership in the majority of the trade unions, and increasingly also in piquetero organisations, provided incentives for leaders to ultimately prioritise personal interests over group interests. This vulnerability to co-optation tactics not only weakened the effective power resources of formal and informal labour, in the sense that it posed a clear threat to the unity of the respective social forces, it also had impact on the kind of demands that were made with regard to social policy reform. While the majority of trade union leaders focussed on the preservation of their control over an inefficient and inequitable health insurance system that was increasingly less satisfactory for the majority of the working class, many of the piquetero leaders seemed often to care more about obtaining the biggest share of social benefits of certain social policy programmes, than about the introduction of real social rights, which ultimately would have left them without control over the repartition of social benefits. In this sense, the failure of welfare state adaptation must be seen not only in the context of increasing influence of employers and international creditors over the social policy agendas of the Argentine

governments, but also with regard to the fact that the “rules of the game” provided trade union and social movement leaders with incentives to demand and defend particularistic rather than universal social policy.

Besides the long-term structural transformation of the Argentine capitalism and its negative effects on working class power, also the strategical decisions of the social forces were important determinants of the evolution of the distribution of power resources. The lack of cohesion within the social forces of formal and informal labour, as well as the failure to construct an alliance between the two, decisively contributed to the vast defeat of the interests of the subordinated classes. Nevertheless, also the unity of capital, which has been represented through a multitude of employer associations and institutions defending the interests of foreign creditors, has varied over time. The two 'waves' of neoliberal adjustment, during the military government and Menem's presidency, coincided with periods of, at least initially, relative consensus among the most powerful employers and creditors about the direction that economic policy should take. During these periods also social policy reform headed strongest towards the interests of capital. In contrast, the rather heterodox strategies of the governments during the 1980s and 2000s coincide with a lack of consensus between the different economic sectors. In face of a dispute about the direction of economic policy, capital was less able to impose their interests in the area of social policy. This temporary weakness of capital was furthermore reinforced by the economic crises that hit Argentina during the early 1980s and 2000s, which led to a widespread public rejection of excessive employer/creditor influence over public policy. These situations potentially provided windows of opportunity for welfare state adaptation. However, due to the reasons discussed before, the organisations of formal and informal labour did not use these opportunities. When the Alfonsín government proposed the adaptation of the healthcare system against the protest of the employers, trade unions were opposing rather than supporting the initiative. The organisations of the poor only reached more strength from the second half of the 1990s on. The relative unity of these organisations during the crisis 2001/2002 enabled them to significantly influence social assistance policies in that moment. The massiveness of their protests was becoming politically and economically more costly than conceding, although reluctantly, some limited social rights to the poor. However, the organisations of the poor, and particularly the cooperation between them, proved too weak to induce a lasting structural change in the Argentine welfare state. The successful co-optation of several important piquetero leaders through the governments of Néstor and Christina Kirchner, as well as the current breakage of the CTA, which had constituted an important support for the piquetero movement, have ultimately reversed much of the piquetero success story between the late 1990s and early 2000s.

Nevertheless, in 2009 the first income transfer programme for poor families with rights character has been established after the electoral defeat of the government in the legislative elections. It seems that for the first time since the return to democracy in 1983, electoral processes have motivated a government to implement a social right for a group that constituted between one quarter and one half of the population during the last one and a half decades. While this chapter has mainly concentrated on the relation between organisational power resources and welfare state adaptation failure, the next two chapters will shed more light on why electoral processes were not effective in transmitting the interests of vast parts of the society with regard to welfare state adaptation into the policy agendas of the governments.

3.4 Democracy, power and welfare state adaptation failure in Argentina

Giuliano Bonoli(2006: 16 – 25) has recently argued, with respect to industrialised countries, that the would-be beneficiaries of an adaptation of the welfare state to the new social risks stemming from post-industrialisation processes have been usually relatively weak groups in political terms. They have commonly been little organised and either relatively small electoral constituencies with little relation to each other, or, when they constituted a big group, such as women, the provision of protection against new social risks may not have been the decisive issue for the electoral decision of many of them. In contrast to Bonoli's observations in the western world, the groups affected by 'new social risks' in Argentina have been significantly broader, and as has been argued in the last chapter, these groups were not dispersed across classes but largely concentrated among the lower and middle income strata. Most individuals and/or families of these strata have been affected by a lack of protection against several of these social risks at the same time, such as unemployment, precarious employment, lack of access to health and pension insurance entitlements, no access to child or elderly care provision, and so on. During the last 15 years, averagely 13.6 % of the economically active population have been affected by unemployment and further 13.2 % by involuntary underemployment. 39.3 % of all salaried workers and around 50 % of the whole working population have not been registered with social insurances. In 2001, 48.1 % of the population had no health insurance coverage.(INDEC database, SEDLAC database, Beccaria/Groisman 2009a: 110/133, see 2.1. for more detail) These numbers indicate the enormous size of the population that would have benefited from welfare state adaptation. While formal workers enjoyed a certain protection through the social insurance systems, the decrease in job stability, the dramatic decline of average wages and the lack of any

effective insurance against unemployment led to a situation in which also an ample majority of the formal wage earners had, theoretically, a strong interest in welfare state adaptation. In the context of a malfunctioning labour market, all those uncovered social risks suffered by informal labour constituted indeed very real and direct threats to the average formal worker. The enormous rise in inequality after 1975 has increasingly polarised the society into a minority that disposed over sufficient income to rely on the social insurance system, and to self-insure against uncovered risks such as unemployment, while for a majority the social protection provided through social insurances became increasingly inaccessible, insufficient and/or unstable. During 2003, the peak of inequality in Argentina's recent history, 60 % of the population disposed over only 22.3 % of the national income.(SEDLAC database) In this context, the question of welfare state adaptation has been unavoidably intertwined with the question about the redistributive character of the welfare state. In a society in which incomes have become highly unequal, adequate rights to social protection for the whole population have become by no other means possible than by increasing the redistributive character of the welfare state with regard to both financing and spending. This is especially true when we consider that in Argentina the overall tax burden, as a percentage of the income, has been higher for the poorest 10 % of the society than for the richest 10 %.(Sabaini/Santiere 1993: 171) Due to the intimate relation between welfare state adaptation and the redistributive conflict, interests with regard to welfare state adaptation are very much related to social classes in Argentina.

All in all, the discussed points suggest, in contrast to what Giuliano Bonoli finds with respect to industrialised countries, that the would-be beneficiaries of welfare state adaptation constituted a very broad and quite coherent group. Furthermore, the vital importance of this issue for most parts of the affected population allows to assume that positions regarding welfare state adaptation have strong impact on voters' electoral decisions. All these characteristics theoretically suggest that the electoral power of the would-be beneficiaries has been everything else than weak.

During the 19th century the debate about democracy was, among others, about the “redistributional thesis”, which assumed that the introduction of majority rule and universal suffrage would lead to greater social equality.(Ippolito-O'Donnell 2007: 10) The discussion about the validity of this thesis, and about the question under what circumstances this thesis can be considered valid and under what not, is until today an important concern of social sciences. Huber et al (2006: 948/949) argued in a study that examined, inter alia, the relation between democracy and inequality in 18 Latin American and Caribbean countries between 1970 and 2000:

“There are strong theoretical reasons to expect that the length of a country's democratic experience is associated with lower inequality (Rueschemeyer et al. 1992: 10). [...] The most effective channels for underprivileged groups into the political decision-making process are political parties, because the poor lack the connections and funds to influence decision makers directly.”

After multiple regressions with a high number of control variables, the authors conclude that long periods of democracy had significant negative effects on inequality, that is, democracy is associated with lower rates of inequality in Latin America.¹¹¹ Moreover, the authors found strong empirical evidence for that the progressiveness of social expenditure in Latin America is significantly related to the length of a country's democratic experience. (Huber et al 2006: 957/958)

Also in the Argentinean case it could be assumed, that in a democratic context a big constituency with a high preference for welfare state adaptation should have favoured the implementation of policies that headed in this direction. This could happen, for example, in the form of a shift of votes towards 'new' parties that make the topic one of their central issues, or by pushing 'old' parties towards incorporating welfare state adaptation into their campaigns and policy agendas in order to preserve their power or to win elections.

Nevertheless, since the return to democracy in 1983, electoral power has seemingly not been able to induce welfare state adaptation. The findings of Evelyne Huber et al (2006) may contribute to an explanation of the regressive character of the Argentinean welfare state during the 1980s, after about thirty years of military rule and restricted democracy. However, as has been shown in chapter 2.2., the return to democracy in 1983 has not really increased the progressiveness of the welfare state during the following three decades. Why has democracy, despite the plausible expectations, not led to welfare state adaptation?

There seem to be several reasons for the fact that the Argentine democracy did not work as well for its poorer citizens as the theoretical arguments recently brought forward would suggest.

Frederick Solt (2008: 58) finds in an empiric international comparative study, that economic inequality is significantly negatively related to the participation of the lower income groups in elections and politics in general. A study of Darío Canton and Jorge Raul Jorrot, based on the

¹¹¹ According to the authors, democracy enables left and centre-left parties to gain strength, which hence favours the implementation of more progressive policies. The effect of democracy is therefore indirect, operating via political parties. (Huber et al 2006: 958)

Argentine presidential elections between 1983 and 1999, shows that persons with low levels of education, which applies to most poorer Argentine citizens, are significantly more often non-voters than persons with higher education.(Canton/Jorrat 2003: 194) In this sense, the historically high levels of inequality in Argentina, and the skyrocketing of these to even much higher values after 1975, have plausibly been among the reasons why democracy has not triggered welfare state adaptation.

“The declining political engagement of nonaffluent citizens with rising inequality suggests that issues on which a consensus exists among richer individuals, such as redistribution, become increasingly unlikely even to be debated within the political process regardless of whether poorer citizens would care to raise them. (...) Greater economic inequality increasingly stacks the deck of democracy in favor of the richest citizens, and as a result, most everyone else is more likely to conclude that politics is simply not a game worth playing.”(Solt 2008: 57/58)

The evidence from Frederick Solt's research not only helps to explain the lower participation of welfare state adaptation would-be beneficiaries in politics, but also contributes to an understanding of why the main parties of the Argentine political system did not make lower classes' interests with regard to social and taxation policies part of the political competition among them. Neither of the traditionally two biggest parties incorporated significant steps towards welfare state adaptation in its political platform. During the 1990s, a new centre-left party called FREPASO had some electoral success. Even though the FREPASO had slightly more progressive stances than the other two parties, also this party did not propose bigger changes in social policy.(McGuire 1997: 249 – 251) Moreover, its electoral success was mainly based on middle class voters who switched from the UCR to the FREPASO, but the majority of the working class and the poor vote remained with the PJ, which, at that time was implementing social policy reforms that exaggerated the problems of social exclusion and regressiveness.(De Riz 1996: 133 – 136, Escudero 2001: 84, Nolte 1996: 38) How, then, has the PJ been able to capture the vote of a majority of the would-be welfare state adaptation beneficiaries while grossly acting against their social policy interests?

Valeria Brusco et al(2004: 75) argued that voter behaviour does usually not change overnight. The long tradition of peronist voting among the poor, and the working class in general, has consolidated a kind of peronist identity among these groups, and it can be assumed that it takes

time for this to change. James McGuire(1997: 208) argues that the 'populist' leadership style of Carlos Menem was popular among the poor. The fact that he turned up at many of the high society parties shown in television, that he publicly raced cars and played tennis in the middle of the night, according to James McGuire, brought Menem considerable popularity among working class and poorer voters. This may seem contradictory at the first view, however, comparable phenomena are known from other countries as well. European extreme right parties, often labelled populist as well, made significant inroads into the working class constituencies with similar tactics of personalistic leadership and omnipresence in media. Particularly successful in attracting lower class votes was for example the Austrian rightist Jörg Haider, who also used to pop up at high society events and to present himself as the sporty smart guy.(e.g. Sully 1997: 199)

Furthermore, parties often try to mobilise voters in their favour via their relations with organised interest groups. Politicians “may distribute targeted geographic benefits—“pork”—in the hopes of winning votes from certain constituencies.”(Weitz-Shapiro 2009: 1) Peronist candidates have repeatedly recurred on mobilising union and piquetero leader support in order to improve their electoral chances.(e.g. De Riz 2008, McGuire 1997, Svampa 2008) Usually we would assume that through the distribution of so called “pork”, the interests of the rank and files of these organisations enter, to a certain degree, into the policy agenda of the respective candidate. Yet, as has been amply described in the last chapter, in Argentina pork favoured the personal interests of union and piquetero leaders more than the interests of their rank and files, so that it has not constituted an efficient mechanism for transmitting the social policy interests of the poor and the working class into the platform of the PJ.

As Guillermo O'Donnell(2009: 8) has argued, the Argentine democracy is far less institutionalised than most of the democracies in the industrialised world. The weakness of formal institutions, which usually allow a certain degree of democratic control, transparency and accountability, is compensated by the strength of informal institutions that pervade most areas of the Argentine political system. In contrast to the former, the latter are characterised by the virtual absence of control mechanisms, transparency or accountability. In the following, I will argue that the nature of the informal institutions associated with the Argentine democracy has further weakened the capacity of the would-be beneficiaries of welfare state adaptation to use their votes in order to promote their long-term interests. At the same time, these informal institutions provided strong incentives for governments to avoid welfare state adaptation.

a) Political clientelism and welfare state adaptation

One of the expressions of this lack of institutionalisation is 'political clientelism'. What is well known in industrialised countries is the use of social policy (promises) as “pork”. While the use of “pork” is usually assumed to be impersonal, that is politicians promise favours to bigger groups and hope to get votes in exchange, political clientelism bases on a personal and direct exchange of vote or other support for favour. The distributed favour has thereby often the form of some kind of social policy benefit.

“Clientelism represents the distribution of resources (or promise of) by political office holders or political candidates in exchange for political support, primarily – although not exclusively – in the form of the vote.”(Gay 1990: 648)

Due to the direct nature of the exchange, and the often vital dependence of the usually poor clients on the distributed goods or benefits, clientelism constitutes “a relationship based on political subordination in exchange for material rewards.”(Fox 1994: 153)

The use of clientelist practices for the distribution of welfare state benefits in developing countries, and particularly in Latin America, has received considerable academic interest over the last decade. Scholars have examined questions such as: What role plays welfare state clientelism in parties' electoral strategies?(Levitski 2001) How does clientelism impact on the quality of democracy?(Ippolito-O'Donnell 2007) How does clientelism operate and how do clients perceive it?(Auyero 2000) How effective is vote-buying?(Brusco et al 2004) Which party benefits most from clientelism?(Brusco et al 2004, Lodola 2005) Under what circumstances does clientelism work best?(Weitz-Shapiro 2009)

All these studies contributed enormously to the understanding of clientelism. In this text I will try to approximate two more questions: What effect has welfare clientelism on the welfare state itself? How does clientelism affect the chances for welfare state adaptation?

Before we come to analyse the political effects of clientelism, a short description of how it operates in Argentina may be useful. The following description largely builds on the field research of Javier Auyero(2000: 61 – 74).

Political parties have brokers in poor areas, the so called “punteros”, who have the function to provide political support for the party, or single candidates, in exchange for benefits of different kinds, including social policy benefits. The traditionally high levels of party affiliation allowed the parties to maintain a dense net of so called “basic units”(unidades básicas) in poor neighbourhoods. According to Detlef Nolte(1996: 32), in 1994, the PJ had about 3.9 million

members and the UCR 2.8 million. The PJ membership alone constituted about 11.4 % of the entire Argentinean population in that year.(INDEC database for population numbers) Both parties have used clientelistic practices in the past and both possess sizeable clientelist networks. (Weitz-Shapiro 2009: 15) Nevertheless, virtually all authors on the topic agree that the PJ has the strongest presence in poor neighbourhoods.(e.g. Auyero 2000, Brusco et al 2004: 79, Weitz-Shapiro 2009: 15) In face of the lack of social protection for most of the residents of these poor areas, people were traditionally accustomed to rely on social networks, such as the family and friends, in situations of need. However, the long-standing deterioration of the labour market made it more and more difficult for these social networks to persist. If nobody in a family, or very few in a broader social network, has any kind of labour market income, the possibilities of mutual help become restricted. In this context, the repartition of useful information, social benefits, medicine, food, and even jobs through local political party brokers became increasingly important for the survival strategies of slum dwellers. Over time, these brokers usually establish a close relationship with an inner circle of supporters. Initially, 'clients' receive smaller benefits such as food boxes or simple construction materials. By showing their loyalty and support to the party and the broker over prolonged periods, 'clients' enhance their chances of receiving more valuable social benefits, such as the inscription to a cash transfer programme or even a job at the municipality. The hopes associated with this kind of 'social mobility' within the clientelistic structures reinforces the incentives for the 'clients' to put real effort into the political support, which consists not only in voting for the party, but also attending rallies for their candidates, convincing others to come as well, and so on. The brokers themselves usually pursue their own political careers and try therefore to accumulate as much influence and power as possible. The monopoly that these brokers hold over the distribution of much needed goods and benefits secures voluntary compliance of the recipients. The unequal balance of power between the broker, who is free to give or decline a favour, and the client, whose survival depends importantly on the broker's decision, creates a de facto relationship of domination. According to Javier Auyero(2000: 74), the “inner circle”, with which party brokers have close personal ties, is limited to a small proportion of the potential electorate of the poor areas. Only with the inner circle the brokers hold direct relations of political domination. Considering these circles alone the electoral effects of clientelist social assistance policies appear significant but limited. Yet, the inner circles of the brokers also serve as intermediaries to reach a broader group of people. Many of the members of the inner circle may develop similar clientelist relationships with persons outside the inner circle. According to Javier Auyero's research(2000: 64/74), Villa Paraíso, a slum in the agglomeration of Buenos Aires with about 7000 potential voters, counts with five

brokers of the peronist party. The most influential of these five brokers controls an inner circle of over one hundred persons. If we consider that the effective electoral participation among the poor is significantly lower than in the rest of the population¹¹², the results from Auyero's research suggest that the five peronist brokers have a direct relationship of political domination with probably more than 10 % of the voting slum dwellers. However, many of the members of these inner circles hand out clientelist “favours” to an even broader audience. Although the PJ is the party with the strongest presence in the poor areas, other parties have similar clientelistic networks as well. The party brokers are furthermore not the only clientelist structure in the poor areas. So, for example, has the so called “Life Programme”(Plan Vida) in the Province of Buenos Aires, established a network of thousands of women, the so called “manzaneras”, that distributed milk and eggs in the block of houses they were living in.(Lo Vuolo 1998b: 239/240) On the 27th of January 1997, the Argentinean newspaper “El Clarín” described the manzaneras as “a female structure for social action that responds – unconditionally – to the governor Eduardo Duhalde’s wife and which has turned into **a central component** of the electoral machinery”¹¹³. Brusco et al.(2004) examined the effectiveness of vote-buying, which constitutes only one aspect of political clientelism, with close to 2000 surveys during 2001 and 2002. They found indeed, that vote-buying was of significant effectiveness and reached a significant share of the poor population. 45 % of the low income respondents stated that they would turn to a local party operative if the head of his or her household lost his or her job, and more than 20 % had done so in the previous years.(Brusco et al 2004: 70) Although the secret ballot does theoretically not allow brokers to control whether a 'client' voted for the right candidate or not, the surveys of Brusco et al(2004: 72) show that a much higher proportion of those low income respondents who received a “favour” voted for the party of the broker than of the rest of the poor respondents. The authors also found empiric evidence for the hypothesis that “voters comply because they anticipate that, should they not comply, they would be cut off from the flow of minor payoffs in the future.”¹¹⁴(Brusco et al 2004: 76)

¹¹² Formally Argentina has compulsory voting. However, Darío Canton and Jorge Raúl Jorrot(2003: 199) argue that compulsory vote is not particularly enforced any more.

¹¹³ Original text in Spanish: “(...)una estructura femenina de acción social que responde -incondicionalmente- a la esposa del gobernador Eduardo Duhalde y que se ha transformado en **un engranaje fundamental** de la maquinaria electoral(...)”.

¹¹⁴ For a description of strategies used by party brokers in poor areas to guess whether a client voted for the right party or not, see Brusco et al (2004).

“Our study tends to confirm the view that, by redoubling its clientelist efforts, peronism retained the support of many voters who were hurt by the neoliberal shift.”(Brusco et al 2004: 83)

Clientelistic networks can be considered „informal and essentially undemocratic institutions“. (Ippolito-O'Donnell2007: 10) The political requirements that party brokers impose on poor citizens seriously affect their autonomous organisational capacity, thereby “limiting the opportunities of poor citizens to deliberate, participate collectively, and make their voices truly heard in the political process.“(Ippolito-O'Donnell2007: 21) Clientelism moreover deters poorer citizens from using their votes in accordance with their policy interests. This way it hampers, if not impedes, the transmission of their interests in welfare state adaptation into the agendas of the governments. At the same time that it weakens the power resources of an important part of the would-be beneficiaries of welfare state adaptation, clientelism provides significant incentives for politicians to avoid steps in this direction. Clientelistic electoral strategies require high levels of inequality and poverty, and provide therefore incentives for politicians who depend on these to avoid redistributive measures.(Medina/Stokes 2002: 3/17) Moreover, it is the scarcity of resources that puts political brokers in conditions to establish political domination over the benefit recipients. If there are not enough social benefits for all the needy, the poor have to compete for those available by complying with the requirements of the brokers. By means of this, clientelistic political patterns of social assistance do not only provide incentives for governments to keep spending on this area limited, it does also provide incentives to systematically avoid the establishment of *any* genuine right to social assistance, no matter whether universal or means-tested, as any kind of social right would limit the discretionary power necessary to establish the clientelistic relationship that subordinates the poor.

The use of clientelism has been an important constant during all democratic governments since the return to democracy. This coincides with a noteworthy continuity with regard to central characteristics of social assistance and unemployment protection policies. Until 2009 all governments avoided the introduction of any genuine right to social assistance. The number of benefits was always arbitrarily restricted and coverage therefore limited. The selection criteria always left enough space for discretion. Virtually all social assistance programmes were either directly executed through politicians or party structures, or through welfare state administrations that had been throughout penetrated by party supporters. Control mechanisms, where they existed, were not effective. Social assistance programmes were usually very short-lived and highly fragmented, which made an effective control through the public very difficult. Each

government replaced the programmes of the former government, or at least replaced the administration. All presidents and governors reserved themselves high levels of direct control over the area in charge of assistance policies. The articles 17 to 21 of the decree 292/95 even transferred the complete responsibility for non-contributory pensions¹¹⁵ from the relatively autonomous “National Administration of Social Security”(Administración Nacional de la Seguridad Social/ANSES) to the “Secretariat of Social Development”(Secretaría de Desarrollo Social), which was directly under control of the president and which constituted a key instance in the clientelistic game.(Lo Vuolo 1998b: 237/238, Repetto 2003: 28/29, see also 2.2. and subchapter b) in this chapter)

The introduction of the so called “Universal Child Allowance” in 2009 can be considered a discontinuity in several aspects. Although, as has been described in 2.2., the programme concedes very small benefits and excludes many poor, it constitutes an important breakage with former social assistance programmes in the sense that it concedes a (means-tested) social right to the poor. Moreover, the programme is administrated through the national social security administration (ANSES), which is a considerably more transparent, autonomous and institutionalised entity than those that had been in charge of former social assistance programmes. How, then, can the introduction of the so called Universal Child Allowance in 2009 be explained?

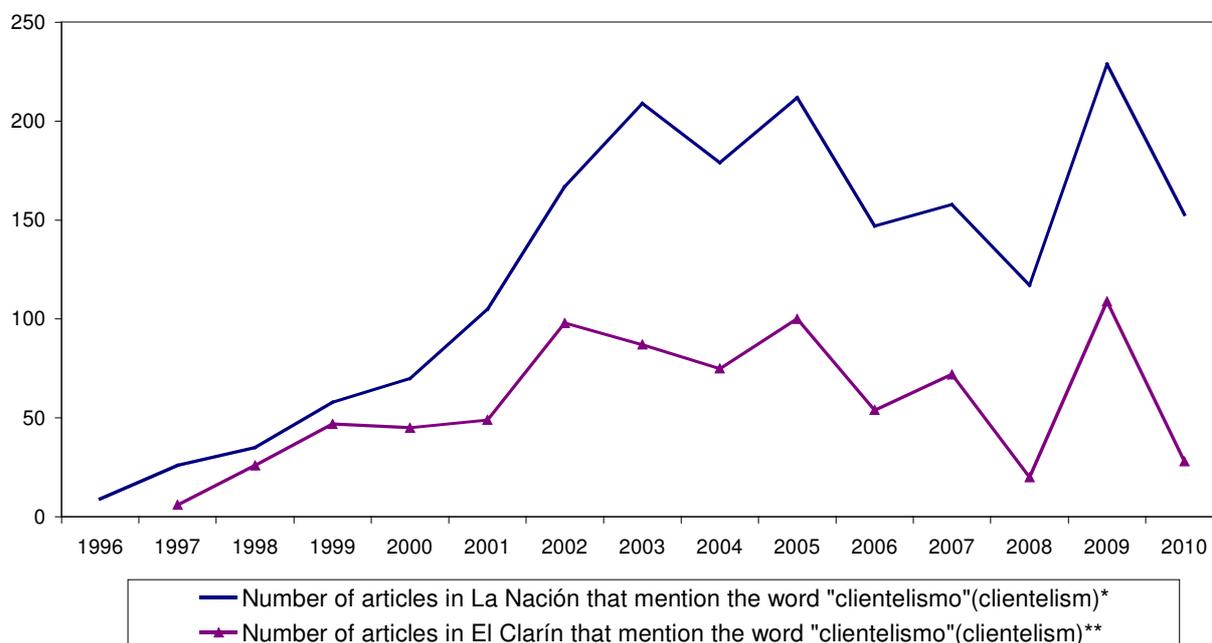
Rebecca Weitz-Shapiro(2009: 2) brought an until recently little analysed aspect into the debate about political clientelism: the political costs of clientelism. She rightly argues, that by focussing exclusively on the effects of clientelism on the poor voters' decisions, and hence the political benefits of clientelism, other important aspects that determine the incentives for politicians to use clientelistic policies have often been left aside. Most importantly, Weitz-Shapiro(2009: 3/4) finds that clientelist practices can have significant negative effects on the support from middle class voters. For many middle class voters clientelistic and discretionary practices are signs for the inefficiency of the government. Moreover, clientelism is rejected for moral reasons, as it is perceived as a kind of corruption that undermines the values and the functioning of democracy. Similar reasons plausibly affect the decisions of poor voters who are not perceiving clientelistic handouts. On this basis, it can be assumed that the reduction of poverty and unemployment since 2002, mainly due to the recovery of the labour market, has decreased the political benefits of clientelism and raised the political costs of it. The clear-cut

¹¹⁵ These contain all means-tested social assistance pensions: Pensions for advanced age according to law 13.478 (1948), Non-contributory invalidity pension according to law 18.910 (1970), and pensions for mothers with seven or more children according to law 23.746 (1989).

electoral defeat of the government in the legislative elections may have convinced the government that it had to do something to reinforce its support among the poor, however, without alienating middle-class voters. As child allowances have been received by most of the middle class families, the extension of this right to the poor was easy to legitimise in front of these. Nevertheless, if we look again at figure 1 in the introduction, we see that, although poverty has declined after 2002, it still remains at levels comparable to those of the 1990s. What then is the difference to the 1990s? The political costs of clientelism during the 1990s seem to have been lower for several reasons. As has been argued before, none of the main parties of the 1990s proposed alternatives to the clientelist character of social assistance and unemployment protection policies, while during the 2000s important parts of the opposition, mainly left and centre-left parties that emerged from the breakdown of the party system after 2001/2002, proposed the introduction of more universal measures, and particularly a universalisation of the child allowance system. This fact has improved the electoral options of formal and informal labour and thereby increased their possibilities to use their votes as a “power tool” to transmit their social policy interests into the parliamentary debate. Furthermore, clientelism has only received media attention from the late 1990s on. Without public knowledge about clientelism, and without the presence of a debate about these practices, the political costs of clientelist practices have been significantly lower during the 1990s. Figure 45 shows on the basis of the two biggest Argentine newspapers, *El Clarín* and *La Nación*, that the media attention to clientelism has only become stronger in the late 1990s, and has been especially high during election years¹¹⁶ in the 2000s.

¹¹⁶ 2003, 2005, 2007, 2009.

Figure 45: Number of articles in the newspapers La Nación and El Clarín that mention the word "clientelismo"(clientelism)



Elaborated by the author. Sources: www.clarin.com, www.lanacion.com.ar.

* Includes printed edition and online edition.

** Includes only the online edition.

Overall, it seems that the context has slightly improved informal and formal labour's possibilities to use their electoral power in favour of welfare adaptation during the last years. Of course, this has also to be seen in relation to the shifts of organisational power resources, as discussed in 3.3., and of changes in the ideology(widespread perceptions) prevailing in the society, as will be discussed in 3.5.. The piquetero movement is good example for how these issues hang together. The rise of the organisational power of informal labour in form of the piquetero organisations has allowed them to make their rejection of the clientelistic repartition of social assistance benefits through political brokers public.(e.g. El Clarín 10th of November 2000, 15th of February 2002, La Nación 24th of June 2002) Thereby they contributed to the increasing presence of the issue in the media and hence influenced also the public perception of it, which had ultimately impacts on the electoral importance of the issue.

b) Personalised leadership and its effects on the politics of the welfare state

The peronist Party (PJ), which governed during nearly 20 of the 27 years since the return to democracy, can be considered a labour based mass party. A majority of their members, as well as

voters, comes from working class and/or poor backgrounds. In 1993, the party had 3.85 million members and a membership-to-vote ratio of impressive 54.2 %.(Levitsky 2001: 1 – 12) Considering the massiveness of the party membership, and the high proportion of lower class affiliates, it would be reasonable to assume that party internal processes were likely to lead to a programmatic incorporation of welfare state adaptation. However, this has hardly happened.

In this subchapter I will argue that the low institutionalisation of the Argentine political system in general, and of the PJ party in particular, have significantly contributed to the concentration of power on very few political leaders. This concentration of power, in turn, hampered the adoption of programmatic steps towards welfare state adaptation, as those who have been most interested in such policies were mainly to be found at lower government levels and at the rank and file of the PJ.

The last subchapter has described the relationship between party brokers and their 'clients' in poor neighbourhoods. As you might have guessed, the local party brokers are not at the top of the hierarchy of the clientelistic system. The income and the political power of the brokers themselves depends usually on mayors or councilmen at the municipal level, who hold discretionary power over the distribution of a certain quantity of social benefits, food, jobs, and so on.(Auyero 2000: 74) These local political leaders, in turn, depend largely on provincial or federal ministries or secretariats, which also have ample discretionary power in distributing resources. Since the 1990s, the relations between the mayors and the national level have increasingly become direct, while the provinces, although not in all cases, by trend lost influence as intermediaries.(e.g. *Página 12* 9th of April 1998) Generally, the dependency of lower government levels on the discretionary distribution power of the national government has increased significantly during the 1990s. The decentralisation of the public health and education systems during the early 1990s, and the increasing responsibility of municipalities with regard to social assistance and unemployment protection policies, has significantly increased the fiscal responsibilities of the lower government levels. However, the municipal and provincial governments' share of the overall tax revenue has decreased during the last decades. In 1980 the municipalities disposed over about 3 % of the total tax revenue and were responsible for around 4 % of the public expenditure. The provinces disposed of 19 % of the tax revenue and effected 25 % of the expenditure. In 2000, the provinces accounted for 40 % of the total public expenditure and the municipalities for 7 %. Yet, the provinces' and municipalities' shares of the total tax revenue decreased to 17 % and 3 % respectively.(Cetrángolo/Gatto 2002: 6) Due to the lack of clear institutionalised rules for the necessary transfer of resources from the central government, provincial and municipal financial capacities to finance their responsibilities

increasingly depended on bilateral negotiations with the central government. For the latter, these negotiations have become a powerful tool for disciplining governors and mayors.(Cravacuore 2007: 43, Lo Vuolo 1998b: 200, Repetto/Moro 2004: 172)

Finally, the ministries or secretariats responsible for the majority of the social assistance programmes, which have been most commonly used for clientelistic practices(Lo Vuolo 1998b: 239), both on national as well as on provincial level, have been under very direct control of the chief of the government, in other words the president or the respective governor.¹¹⁷ The control over no other ministry or secretariat seems to have imported so much to presidents and governors. Four of six presidents since 1983¹¹⁸ appointed close family members to central positions of the social assistance apparatus.(Frederic/Masson 2006: 13/14, La Nación 21st of May 2003, 4th of June 2009, www.chicheduhalde.com.ar, www.desarrollosocial.gov.ar, <http://www.politicassociales.gov.ar/institucional.html>) Other important positions in the social assistance administration were usually occupied with close and trustworthy allies of the president.(e.g. Página 12 19th FebRúary 2002, 8th of December 2007, La Nación 19th FebRúary 2002) This may have to do with the fact that the clientelistic hand out of social assistance programmes did not only serve to give officiating parties advantages over oppositional parties, but also to fight out party internal competitions about the leadership. In these internal competitions it was of particular interest of the presidents to secure the loyalty of those cabinet members who possessed control over resources that served to discipline lower party leaders and government levels. Apparently, presidents saw this loyalty best guaranteed by appointing close family members on top of the ministry of social development, or in the case of the Alfonsín government, on top of the biggest social assistance programme, the so called National Alimentary Programme.¹¹⁹ The ability to distribute the limited number of benefits in a discretionary way among the different municipalities, which were furthermore highly dependent on resource transfers from the national level, has been an ideal instrument to build up party internal power and to negotiate support for political projects and or candidatures.(e.g. Página 12 9th of April 1998) For the local party leaders the assignation of social assistance resources was not a minor issue. Marcelo Nazareno et al(2006: 78 – 80) found in a quantitative analysis,

¹¹⁷ See e.g.: Lo Vuolo 1998b: 237/238 for the national Secretariat of Social Development during the 1990s, or the Province of Buenos Aires Law 11.097, Art. 1 for the “Provincial Family and Human Development Council”.

¹¹⁸ I have not considered the interim presidents Ramon Puerta, Adolfo Rodríguez Súa and Eduardo Camaño, as these have only been presidents for a few days each.

¹¹⁹ Enrique Nosiglia, who has been a loyal political friend and supporter of president Raúl Alfonsín for over a decade, and who had been renowned for his discretion towards the media, was appointed executive president of the “National Alimentary Programme”.(Página 12 8th of December 2007) One of the president’s brothers, Fernando Alfonsín, was appointed executive vicepresident of the programme.(La Nación 4th of June 2009)

including over one thousand municipalities during 1998 and 1999, that the quantity of “Work Programme” benefits assigned to a mayor significantly affected his chances of being re-elected.

The top-down dynamics of the relationship between different government levels strengthened also the party internal dominance of the president and the close government circle around him. This dominance has been furthermore exacerbated by a very low degree of institutionalisation of the peronist party.

“The PJ is a mass-based party, but its mass organization is fluid and informal, rather than bureaucratic, and its internal rules and procedures are contested, widely manipulated, and often ignored.”(Levitsky 2001: 7)

While the discretionary power of the central government with regard to the distribution of vital resources among lower government levels provided little incentives for challenging the national government, the weak party structures also provided few opportunities to do so. (Levitsky 2001: 21)

Officially, the 110 seat national council was the highest body in the PJ. Of the 110 members of the board 17 corresponded to the union branch, 10 to the women branch and 10 to the youth branch. All 37 members were usually hand picked by party notables. 24 seats corresponded to the provincial party leaders. The remaining 49 were supposed to be elected by the party members, which, however, did not happen in practice as the party elite usually proposed a single list of 49 candidates and declared that a membership vote would not be necessary. In face of the lack of working democratic structures, the rank and file of the party had little influence over the party leadership, neither regarding its composition nor with respect to its political course. (McGuire 1997: 246 – 255) In practice it were the office holders that dominated the party. As the party lacked an institutionalised inner life and routinised career paths, the careers of ambitious peronists depended largely on their relations to office holding party leaders, who disposed over key patronage resources.(Levitsky 2001: 14) Due to the before discussed hierarchy among office holders, the power was largely concentrated on the president during periods of PJ presidency.

Also the party's legislators had important incentives to subordinate to the government, which was de facto dominating the party apparatus. Argentina has an electoral system with closed party lists, so that the respective legislator's chances to be re-elected in the next elections decisively depends on his or her inalterable position on the party's list. In turn, the party leadership largely determines the order of the party lists. Therefore, the vote by closed list constituted an important instrument for the disciplining of legislators, as these had to fear to lose their seats in the next

elections if they did not cooperate sufficiently with the government. With the help of these party internal power resources, Menem, for example, marginalised the role of critical trade unionists in the party, which can be observed in the rapid decline of trade unionists in the PJ bloc in the chamber of deputies.(Goldin 1997: 174, Levitsky 2001: 20, McGuire 1997: 246 – 255) Moreover, the extensive possibilities to legislate by emergency decree, may have reinforced PJ legislators' conviction that by opposing the government they had much to lose but little win.(see 3.1.)

The high de facto concentration of power on very few party leaders left very little possibilities for the rank and file to influence the policy agenda of the party. Local politicians, who are commonly assumed to be closest to the positions of the rank and file, were indeed highly dependent on their relationships to office holding party bosses. At the same time, the clientelistic structures described in the last subchapter allowed them to enforce support from a considerable part of the poor members without having to defend their interests. In practice, the PJ is very much a top-down hierarchy, in which dependency on the rank and file is low, while dependency on the upper ranks is high. In this context, the possibilities for an emergence of opposing inner party forces around issues such as welfare state adaptation were very limited. This may explain why the PJ has not incorporated significant steps towards welfare state adaptation into its platform, despite the fact that an ample majority of the membership would benefit from it.

c) Power and welfare state adaptation failure in a weakly institutionalised democracy

This subchapter has started with the widespread argument that democracy increases the power resources of lower classes due to their numerical advantage. Departing from this assumption, the chances for steps towards welfare state adaptation seemed to have improved with the return to democracy. If we look at the evolution of social spending and social policy legislation analysed in chapter 2.2., we can see that the return to democracy indeed coincided with some changes in the trends. The difference was particularly pronounced regarding social assistance and unemployment protection expenditure. The military government radically cut down expenditure on this area, while the opposite was the case during the democratic period. However, the expenditure on this area increased far slower than the number of persons depending on it, so that the per person expenditure continued to decline. Also the trends in the overall size of public social expenditure have been contrarian. The military government reduced social spending as a share of the GDP, while the democratic governments increased it over the long run. All in all, democracy seems to have made a difference. Nevertheless, the regressiveness of the financing

and spending of, and the access to, social protection has been preserved, which led in practice, considering the socio-economic changes within the society, to a deteriorating capacity of the welfare state to respond to the needs of the majority of the population. It seems that the return to democracy has rather limited the pace with which a wealthy minority was able to remodel the welfare state according to their interests, than that it allowed the increasingly poor majority to shape the welfare state towards their interests.¹²⁰

The considerable breach between the expectations associated with democracy and the disillusioning outcomes in social terms can be better understood if authoritarianism and democracy are not treated as a binary distinction, but as two extremes between which there are indefinite intermediate points. There are indefinite different forms of democracy as well as of authoritarianism, and the line of distinction is sometimes blurry. Democracies can be more or less democratic, as well as authoritarian systems can be more or less authoritarian. So, for example, has Argentina made several experiences between 1958 and 1976 that have been classified restricted or authoritarian democracy. In this sense, it is important to note that the quality of democracy can vary significantly along several lines. Although the Argentine democracy after 1983 did not face the same restrictions that former democratic experiences were confronted with, such as the prohibition of peronism and the recurrent intervention of the military, it has been far from leading to the political equality of its citizens for several reasons.

Frederick Solt's(2008) very interesting research has shown that economic inequality is highly related to political inequality, also in well institutionalised democracies. In this sense, the stunning levels of economic inequality in the Argentinean society have constituted a significant obstacle for the attainment of political power of the would-be beneficiaries of welfare state adaptation. The persistence, or even exacerbation, of social exclusion largely enabled the preservation of the political exclusion of big parts of the lower classes despite the return to democracy.

The depressing effect on the quality of democracy exerted by economic inequality is a phenomenon very valid also for highly institutionalised democracies.(Solt 2008) In Argentina, however, this political disadvantage of the lower income strata was furthermore reinforced by a weakness of formal institutions and a consequent strength of informal institutions.¹²¹ The nature

¹²⁰Of course I am speaking in very simplified terms here. The analysis in 2.2. shows, that what has been a very unsatisfying policy balance in the long run, is constituted of backs and forths during the 27 years since the return of democracy.

¹²¹Depending on the nature of a formal institution, it is, of course, also possible that a formal institution suppresses the influence of poorer citizens. However, formal democratic institutions are usually designed to contradict not to strongly, or at least to obviously, the idea of political quality. In contrast, the informal institutions operating in

of these informal institutions importantly reduced the power resources of poorer citizens and increased the influence of the economic elites.

So, for example, has political clientelism importantly contributed to impede the transmission of the poor's interests via electoral processes into steps towards welfare state adaptation. Clientelism significantly reduced the free choice of those who have been depending on the 'help' handed out through clientelistic party networks. (Ippolito-O'Donnell 2007: 15 – 17) By this means, the recipients of the poor vote, particularly the PJ party, reached a higher autonomy from the real electoral preferences of the poor. In turn, their autonomy from the preferences of middle and upper class voters has not been increased through such mechanisms. By this means, the political subordination of considerable parts of the poor through clientelistic networks provided incentives for politicians to concentrate mainly on responding to the interests of middle and upper classes, which were more likely, and more able, to electorally punish governments. In this sense, Jorge Andrés Gallego and Rafal Raciborski (2008: 20) argue that clientelism “becomes an important strategy used by one class for the perpetuation of a favorable division of surplus”. In other words, clientelism contributes to preserve inequality in democratic contexts, and as has been argued in this chapter, it did so, among others, by hampering welfare state adaptation. The low institutionalisation of the political system, and of the PJ party in particular, further increased the autonomy of incumbent governments from lower government levels and their own rank and files. In turn, the increased autonomy of political leaders from their electoral and partisan bases reduced the capacity of subaltern classes to exert influence on the political course of the leaders through democratic processes, which would theoretically give them a numerical advantage, while the lack of control mechanisms, accountability and transparency enhanced the possibilities of upper classes to strengthen their channels of direct influence, which are, rather than linked to the quantitative importance of the upper class vote, based on lobbying, personal relations, co-optation, (illegal) payments, and so on.

Finally, the findings of this subchapter suggest that not democracy was ineffective in propelling welfare state adaptation, but that it was the low quality of the Argentine democracy, or in other words the lack of democracy¹²², which particularly disadvantaged important parts of the would-be beneficiaries and strengthened those opposed to it, and thereby created unfavourable conditions for social policy progress via democratic processes.

Argentina can hardly be presented in a way that would allow to qualify them as promoters of democratic political equality.

¹²²As has been argued earlier, also the weakness of trade union internal democracy and the personalistic style of leadership in many piquetero organisations forms part of this lack of democracy.

3.5 The role of ideology: neoliberalism and welfare state adaptation failure

As has been argued in the theoretical discussion at the beginning of this chapter (see 3.1.), shifting prevalences in perceptions and ideas can have important influence on social policy.(e.g. Béland 2005, Bleses/Seeleib-Kaiser 2004, Deacon 1998, 2000, 2002a, 2002b, 2003, Ferrera 2008, Palier 2001, Starke 2006) Many authors have focussed on changes in the prevailing perceptions with regard to particular aspects of the welfare state. So, for example, have authors argued that family policies have been increasingly perceived as important during the last decades in Germany(Bleses/Seeleib-Kaiser 2004) and Europe in general(Ferrera 2008). Alan Deacon(e.g. 1998) has argued that the perceptions with regard to the right balance between rights and obligations of the individual has changed, and so on. Daniel Béland(2005) emphasised that ideas and perceptions with regard to specific aspects of the welfare state are usually not entirely independent from each other, but form part of a broader ideological framework. In this subchapter I will argue that, and also how, the shift towards the prevalence of a neoliberal ideological framework during the military dictatorship and the 1990s negatively affected the chances for welfare state adaptation, and even contributed to the implementation of significant steps backwards. I will start the argument with a brief discussion of some essential features of neoliberalism and its relationship to social policy. Hence, the politics and the political economy of the Argentine neoliberalism will be analysed, so that the reader attains an understanding of why neoliberalism has come to prominence in Argentina since the mid 1970s, and of why it has dominated public policy more during the military dictatorship and the 1990s than it has during most of the 1980s and the 2000s. Finally, it will be argued that neoliberalism decisively impacted on the politics of welfare state adaptation failure by defining the ground on which the mainstream parties competed, by influencing voter preferences, and even by framing attitudes of trade union leaders.

Due to the many differences between neoliberal policy agendas in different countries, scholars have been debating whether there is *one* neoliberal ideology.(e.g. Demirovic 2006, Hackworth/Moriah 2006, Peck/Tickell 2002) So, for example, has Alex Demirovic(2006: 14) argued that neoliberalism is not a coherent set of ideas, while Jason Hackworth and Abigail Moriah(2006: 514) find that there exists a kind of ideal-type neoliberalism, which is politically influential across the globe. Jamie Peck and Adam Tickell(2002: 388) argue that “adequate conceptualizations [of neoliberalism, *remark of the author*] must be attentive to both the local peculiarities and the generic features of neoliberalism.“ While neoliberalism has taken different

forms under different local contexts, „it also exists as an extralocal regime of rules and routines, pressures and penalties.“(Peck/Tickell 2002: 392) In accordance with Peck/Tickell(2002: 392) and Hackworth/Moriah(2006: 523), I find that there is a set of ideas that follow a common logic and that could be described as the core of neoliberalism. These core ideas have become globally influential, and some of them have been particularly successful in shaping social policy agendas. Spatial and historical differences can be explained through different contexts, as the implementation of neoliberal ideas is subject to political processes with no predefined outcomes. In the Argentinean case, for example, the neoliberal policies of the military government and of the Menem government have not been identical. They have both been classified neoliberal, as, despite the differences, they were motivated by a similar set of ideas. In this sense, neoliberalism has been more successful in providing the logics for, and in determining the directions of, processes of restructuring, than it has been in triggering uniform outcomes.(Peck/Tickell 2002: 383)

As this work has not the purpose to provide an ample discussion of the nature of neoliberalism, I will focus now on those core elements of neoliberalism that have provided the underlying logics of social policy reform in Argentina during the military dictatorship and the Menem and De la Rúa governments.

A central feature of neoliberal thinking is that it “promotes and normalizes a 'growth-first' approach”.(Peck/Tickell 2002: 394) As has been alluded earlier, the growth-first doctrine can be observed, for example, in the fact that during the neoliberal governments, the ministries of economy, in cooperation with representatives of the private economy and creditors, elaborated social policy reforms rather than the ministries of social security or health, which had usually closer ties to trade unions or professionals of the health sector.(Alonso 2007: 162) In this context, social policy was increasingly considered a lower priority, and the main preoccupation shifted from the question whether the welfare state provided adequate social protection or not to whether the welfare state was hampering economic growth or not.

A second feature of neoliberalism is that it renders “issues of redistribution and social investment as antagonistic to the overriding objectives of *economic* development.“(Peck/Tickell 2002: 394) The rather keynesian logics of the import substitution industrialisation model suggested that state-provided and redistributive social protection had benign effects on economic growth. As lower income groups use bigger shares of their incomes for consumption than higher income groups do, redistributive measures were perceived to contribute to a strengthening of the national demand, and thereby to create a market for the country's industries.(Riesco/Draibe 2007b: 47) In contrast, neoliberalism is less concerned with the demand-side. By focussing

mainly on the supply-side of the economy, neoliberalism assigns central importance to saving, which ultimately is supposed to trigger higher rates of investment. While higher income groups are averagely using smaller shares of their income for consumption, they are saving bigger parts of it. Therefore, the neoliberal logics assume that it is rather a regressive distribution of incomes that triggers economic growth. Furthermore, from the perspective of neoliberal sociology, higher inequality provides incentives for the economic activity of individuals, hence improving the labour supply as well. From this perspective a redistributive welfare state hampers economic growth. In coincidence with this logic, both the military government and the governments during the 1990s significantly increased the regressiveness of the welfare state. Moreover, the privatisation of the pension system explicitly pursued the strengthening of the financial market by replacing a demand increasing pay-as-you-system with a saving based capitalisation system. (Lo Vuolo 1998b: 222) Yet, exacerbating the regressive character of the welfare state was diametrically contradicting any form of welfare state adaptation.

A third 'chief goal' of neoliberalism is “to minimize the state and return power to the private market.”(Hackworth/Moriah 2006: 525) As a market-driven logic(Sekler 2009: 62), neoliberalism puts stark emphasis on the privatisation of social services and/or the introduction of market mechanisms into these.(Riesco/Draibe 2007b: 51) The underlying conviction is that the market is the most efficient way for providing services and allocating resources.

„Neoliberalism rests on a pervasive naturalization of market logics, justifying on the grounds of efficiency and even “fairness” their installation as the dominant metrics of policy evaluation.“(Peck/Tickell 2002: 394)

While social policy was a long time based on the idea of compensating for the lack of social consciousness of the market, neoliberalism aims at remodelling the welfare state in a way that it becomes itself part of the market. Being part of the market, the welfare state loses its capacity to countervail the malign social effects of it. Neoliberal agendas often combine the introduction of market mechanisms with the decentralisation of the respective social services, whereby responsibilities are in most cases transferred without an adequate transfer of resources. (Peck/Tickell 2002: 386) The Argentine military dictatorship and the governments during the 1990s both pursued a minimisation of the role of the state in, and a decentralisation and marketisation of, the welfare state. Considering that the social exclusion and poverty of big parts of the Argentine population originated in the market, the marketisation of the welfare state largely implied a setback with regard to adapting social policy.

A fourth key element of neoliberalism, with important consequences for the welfare state, is the particular interpretation of the relationship between globalisation and social policy. According to this interpretation, countries have no other choice than to compete with each other about being the most attractive business location. (Brand 2005: 9) In face of this competition, expensive welfare states, and particularly high tax and contribution rates for employers and high income earners, are seen to be no longer feasible, as these would supposedly trigger an exodus of capital, production and the “best brains”. Moreover, welfare states should avoid to create upward pressures on wages. Therefore, 'de-commodification', that is the independence of individuals from the market, must be minimised so that the forces of offer and demand can work without 'artificial' distortion in the labour market and determine adequate wage levels. The military dictatorship and the Menem and De la Rúa governments in fact massively reduced employer contributions to the social insurance system. Retrenchment that mostly hit the weakest (formal) wage earners was the counter part of these reductions.¹²³ With regard to de-commodification and the taxation of high incomes, little reform was necessary as the Argentine welfare state historically provided very little independence from paid work, and high incomes were lower taxed¹²⁴ than low ones. The 'competitive' welfare state in the neoliberal sense was diametrically contradicting the necessities of big parts of the population stemming from the long-standing deterioration of the labour market.

The described elements are by no means a complete characterisation of neoliberalism, yet, they have been those elements that have strongest shaped neoliberal social policy agendas in Argentina, and arguably in many other countries as well.

In contrast, the first democratic government during the 1980s and the governments after the 2001/2002 crisis pursued economic and social policy agendas that differed considerably from the neoliberal approach. Although the Alfonsín government during the 1980s initially showed some intentions to partially return to the import substitution industrialisation model, neither of these governments applied coherently keynesian approaches, nor were they able or willing to return to the pre-1976 ISI model. In accordance with the definition of Joachim Becker et al (2009: 7), I classified the social and economic policy approaches of these governments as heterodox, in the sense that they differed from the neoliberal orthodoxy in that they generally ascribed a bigger role to state regulation of, and intervention in, the market. At the same time these approaches

¹²³So, for example, the quasi dismantlement of child allowances during the military dictatorship, or the exclusion from any pension entitlement of big parts of the low earners by the 1993 reform, as these were usually not able to accumulate 30 years of contributions. (See 2.2.)

¹²⁴Considering also the social insurance contributions, the value added tax and all other forms of taxation. (Sabaini/Santiere 1993: 171)

allowed more egalitarian forms social policy reform. So, for example, did these governments show significant effort for high rates of pension coverage and an egalitarian benefit structure. Also did these governments undertake no attempts of privatisation, marketisation or decentralisation of social services. The opposite was the case. So, for instance, attempted the Alfonsín government during the 1980s to increase the role of the state in the semi-public health insurance system, and the present government of Christina Kirchner even renationalised the privatised part of the pension system. These governments made some significant progresses towards welfare state adaptation, although it must be said that also these largely avoided the introduction of social rights for poor and unemployed citizens below pension age. As has been argued in the former chapters, the latter has most likely to do with political reasons.

a) Political economy and politics of the Argentine neoliberalism

The decline of keynesianism, respectively fordism or developmentalism, and the ascendancy of neoliberalism fell together with the emergence of the so called stagflation crises during the 1970s. Since then, it has increasingly become an allegedly apolitical common sense that the old model had been exhausted and cannot be revived. However, this apolitical understanding of shifts in the prevailing development model is unable to explain much of what came afterwards. During the last decades, countries following neoliberal policy prescriptions have often experienced more dramatic crises than those experienced during the 1970s. Nevertheless, and in contrast to what happened during the 1970s with keynesian thinking, the dominance of neoliberal interpretations seemed often not to suffer from these crisis experiences. Although in some cases crises led to temporary returns to more keynesian approaches, in many cases crises were used to justify a deepening of the neoliberal approach, based on the argument that these crises had been the result of not being neoliberal enough. Crises seem to open windows of opportunity for changes in the prevalence of ideologies, yet, reducing the ascendancy of neoliberalism to a mechanic logic, based on the argument that the crisis of the former model required exactly this solution, is a gross simplification. Ideological shifts are not independent from political issues, such as interest conflicts and power relations. So, for example, Alex Demirovic(2006: 13/14) pointed out that neoliberalism did not suddenly appear in the mid 1970s, but had already been promoted for decades by groups of liberals in order to revive liberal economic thinking. Among others, think tanks played an important role in effectively providing neoliberal ideas in the right moments, that is when politicians and the public were open to solutions other than the keynesian ones, which were perceived to be in crisis.(Hackworth/Moriah 2006: 523) Moreover, neoliberalism has been favoured by sectors of the economy that have

become increasingly powerful, particularly the financial sector.(e.g. Huber 1996: 161, Olsen/O'Connor 1998: 21) As a consequence of the increasing prevalence of neoliberal thinking among the governments and the leading technocratic circles of economic science of the most powerful countries, neoliberal “premises also established the ground rules for global lending agencies“(Peck/Tickell 2002: 380), which accelerated the spreading of neoliberalism across the globe.

In the following, I will attempt a brief overview over the politics and the political economy of the Argentine neoliberalism, which will contribute to an understanding of why the “ideological environment” has been less favourable for welfare state adaptation during some periods, and more so during others.

As has been shown in 3.2., the ISI model, and with it the rather Keynesian style of economic policies, had not been supported by all powerful actors in the Argentine politics. The development model clearly counted with the support of the majority of the population, which found its expression in the long-standing electoral dominance of Peronism. Yet, recurrent military governments, which tried with limited success to implement liberal economic policy agendas between 1955 and 1972, were the political expression of its powerful enemies. While the organisations of labour and the national small and medium size industries supported the ISI model, the powerful organisations of the landowners and the financial sector were fiercely opposing it. As described in 3.2., the most concentrated and internationalised parts of the industrial capital in the country had been oscillating between tacitly accepting the ISI strategy, as long as this seemed favourable for their business scopes, and joining the alliance of the proponents of a liberal agenda.

Towards the mid 1970s, the alliance supporting the ISI model had been decisively weakened. On the one hand, this can be related to structural changes in the Argentine political economy. While it were primarily the national small and medium size industries that supported the ISI model, the trend during the decades preceding the end of ISI was pointing towards an increasing concentration and internationalisation of the industrial capital in the country.¹²⁵ In 1958, the 100 biggest industrial companies accounted for 16.7 % of the industrial GDP. A bit more than a decade later(1970 - 1972), they accounted already for 23.5 % of it. While in 1957, 36 of the 97 biggest industrial companies were foreign companies, it were 72 out of the 100 biggest in 1971. (Azpiazu et al 1976: 590 – 593) At the same time, the financial sector was increasingly gaining

¹²⁵The big national, foreign or transnational companies were much more inclined to support the dissolution of the ISI model, as they were more dependent on imports and more capable of exporting, than the majority of the small or medium size national industrial companies. Furthermore, they had strong interest in a financial opening of the country in order to become able to transfer bigger parts of their profits into their home countries.

weight, which found its expression in the foundation of the anti-peronist financial sector association ADEBA in 1972.(Svampa 2005: 112) In other words, the economic power shifted increasingly to those sectors that supported the adoption of a neoliberal agenda.(Azpiazu et al 1976: 612)

On the other hand, the alliance between labour and the national industrial sector was increasingly plagued by internal conflicts during the mid 1970s. While the peronist government started with a “social pact” between the two social forces, towards 1975 the CGT, the trade union confederation, and the CGE, the ISI supporting employer association, were increasingly disagreeing about the economic course, and ultimately about the distribution of income between capital and labour. In face of a high fiscal deficit, ascending inflation and a persistent liquidation of the country's currency reserves, the minister of economy Celestino Rodrigo from the right wing of the peronist party implemented a largely neoliberally influenced adjustment programme, which contained among others a devaluation of the currency, a massive rise of the tariffs for public services and a de facto reduction of the real wages. The design of the programme stemmed less from Rodrigo himself than from one of his officials called Ricardo Zinn, who had close relations with the anti-peronist employer fractions and later occupied important posts in the military government. However, the massive resistance of trade unions impeded the decline of real wages and led to Rodrigo's resignation. What started as an attempt to shift economic policies towards a more liberal agenda ended up giving the trade unions unprecedented control over the direction of economic policies. This, in turn, deepened the frictions within the ISI supporting alliance and increased the conviction among those parts of the employer sector that supported a neoliberal turn that such a policy change was hardly feasible in a democratic context. Rising numbers of employers deflected from the CGE and joined the anti-government lockouts that were initiated by the liberal employer organisations united in the powerful anti-peronist multisectorial employers' assembly APEGE.(Rougier/Fiszbein 2006: 94 – 108)

The neoliberal turn was finally implemented after the coup d'etat in March 1976 by a violent military government¹²⁶ that counted with the support of most parts of the employer sector, particularly from the financial, commercial and agricultural sectors.(Chossudovsky 1977: 631 – 633, Svampa 2005: 107, Birle 1996: 212) In contrast to what happened a few years later in the United Kingdom and the United States, the neoliberalisation of public policy did not find the support of the majority of the population in Argentina. As it was the case in Chile, the implementation of these policies required a repressive military regime.

¹²⁶This dictatorship killed about 30.000 real and supposed political enemies.

While the first neoliberal experience in Argentina did not count with the support of a majority, it neither counted with a stability comparable to that of the Pinochet regime in Chile. Despite violent repressions, the Argentine trade unions remained comparatively strong.(Marshall 2006: 5) Furthermore, the neoliberal project increasingly faced inner conflicts between the industrial and the agricultural sector on the one side, who saw their interests violated by the increasing overvaluation of the currency, and the financial and commercial sector on the other side, who benefited from this exchange rate policy.(McGuire 1997: 175) In the context of a profound financial crisis and the clear-cut defeat in the Falkland war the military government had to cede power.

With the return to democracy, the preferences of the majority of the voters became again a decisive variable in the determination of the economic course of the government. While the neoliberal agenda did not count with the support of a majority at its initiation, the financial crisis and the general discreditation of the repressive and bellicose military government probably enhanced this rejection of neoliberalism. Under these circumstances, the Alfonsín government attempted to implement a rather national market focussed development strategy, against the resistance of big parts of the employer sector.(Birle 1996: 212/213) The electoral success of the Alfonsín government in the 1985 legislative elections, can be seen as a manifestation of popular support to the shortly before announced heterodox economic policy programme “Plan Austral”. (Munck 1987: 109, Svampa 2005: 25)

Although initially successful, the Plan Austral was not able to produce lasting economic stability. During 1987 the inflation began to rise steeply again and economic growth decreased rapidly, reaching negative values from 1988 on. At the same time, employer sectors launched systematic campaigns to promote neoliberal adjustment policies.(Svampa 2005: 31, see also chapter 2.1.) Different employer associations, and particularly the financial sector, sustained influential neoliberal think tanks, such as the “Mediterranean Foundation”(Fundación Mediterránea), the “Centre for Macroeconomic Studies”(Centro de Estudios Macroeconomicos) and the “Foundation for Latin American Economic Research”(Fundación de Investigaciones Económicas Latinoamericanas), which were able to attract famous Argentinean economists and to increasingly attain a dominant role in the interpretation of the roots of the crisis and the supposed solution to it.(Svampa 2005: 112 – 115) The lobbying and the public and economic pressures deployed by the employers, this time also supported by the international financial institutions, which reached considerable influence since the military dictatorship had accumulated vast amounts of foreign debt, seemed to be successful and the Alfonsín government tried to shift towards more orthodox policies.(Basualdo 2001: 51, Goldin 1997: 124)

Nevertheless, the peronist opposition and the trade union movement were largely able to block the implementation of such a policy shift.(Basualdo 2001: 51) The inflationary problems and the recessive economy were not completely self-made, but stemmed to a considerable part from the enormous amount of inherited foreign debts¹²⁷ and the steep increase in international interest rates during the 1980s, which had already led to the insolvency of Mexico a view years earlier. In March 1988, the government was forced to cease the payment of interests to commercial banks that held public debt. However, in 1989 the USA and the international financial institutions were neither disposed anymore to tolerate this measure nor to offer an acceptable solution.(Barbeito/Lo Vuolo 1998: 129/138/139/192) This implied that the Argentine government urgently needed dollars to be able to make the corresponding interest and debt service payments. Yet, big agricultural exporters, most notably Bunge y Born, one of the biggest Argentinean companies, stopped selling dollars to the central bank. As a consequence, on the 6th of February 1989 the dollar reserves of the central bank were virtually running out. Under these circumstances, and in a situation of high economic uncertainty, Argentines tried to buy dollars wherever they could, initiating a spiralling down of the exchange rate, and consequently a skyrocketing of inflation.(McGuire 1997: 215) According to the Menem loyal trade union leader Luis Barrionuevo(citado por Basualdo 2001: 58), the Bunge y Born conglomerate, at the time that it fuelled the process of hyperinflation, supported Carlos Menem's electoral campaign with a 700,000 dollar donation. Interestingly, short time later the first two ministers of economy of the newly elected Menem government will be representatives of the Bunge y Born company. (Basualdo 2001: 58/59) In this sense, the hyperinflation crisis that finally put an end to heterodox social and economic policy in Argentina, was not exclusively the result of government policies, but importantly fuelled by parts of the exporting employer sector, the international financial institutions and the governments of the creditor countries. Nevertheless, the international financial institutions and the employer sector will be the ones to shape the neoliberal agenda of the 1990s, while the crisis of 1989 will be widely related to the heterodox policies of the Alfonsín government.(McGuire 1997: 216)

Under these circumstances, Carlos Menem of the peronist party won the 1989 presidential elections, and Raul Alfonsín decided to hand over the presidency a few months before the actual end of his term. Simultaneously, the latter agreed to support the "Law of State Reform"(Ley de Reforma de Estado) and the "Law of Economic Emergency"(Ley de Emergencia Económica),

¹²⁷There are serious doubts about the legitimacy of these debts, considering that the military government which accumulated the debt had no democratic legitimisation and did not use it to the benefit of the Argentine population who since then has to pay the interests and service payments of the debt.

which endowed the Menem government with ample powers to introduce profound changes in the economic course of the country.(Lo Vuolo 1998b: 210) Despite Menem's traditionally populist anti-adjustment electoral campaign, he quickly made a stunning about-face. With the support of the international financial institutions and the employer associations, his government adopted one of the most profound neoliberal adjustment agendas of the continent.(Goldin 1997: 123, Levitsky 2001: 2, Lo Vuolo 1998b: 189/245)

In contrast to Argentina's first neoliberal experience, neoliberalism became “a commonsense of the times“(Peck/Tickell 2002: 381) in the aftermath of the hyperinflation crisis. In other words, neoliberalism attained, at least temporarily, sustainability in a democratic context. During the 1990s there existed a consensus among all significant political parties about the lack of alternatives to neoliberal policies.(Nolte 1996: 24) The strong politisation of inflation had the depolitisation of unemployment as counterpart. Vast parts of the society agreed that price stability was more important than any other objective.(Lo Vuolo 1998b: 247/248) The hyperinflation experience furthermore increased the acceptance of profound spending cuts, even among those who were directly affected. The success of the so called convertibility plan in diminishing inflation consolidated this consensus.(McGuire 1997: 237, Nolte 1996: 38)

As it was the case during the initiation phase of the first neoliberal experience under the military dictatorship, the employer sector and the sector of international creditors were relatively united around the support for the governments agenda. Certainly, the convertibility exchange rate regime was rather less favourable for producers of internationally tradeable goods and more so for commercial activities, service providers, foreign creditors and the financial sector. Yet, the wholesale privatisation of state enterprises, and the high levels of corruption associated with this process, allowed an immense transfer of state resources into private property. Many of the beneficiaries were national industrial conglomerates, and hence producers of tradable goods, such as the Techint group, which, for instance, bought 80 % of the shares of a hitherto state-owned steel plant for 152 million dollars, although the plant was first valued at 2 billion dollars. (McGuire 1997: 220) By this means, and considering that most smaller producers had much more problems in coping with the international competition in the context of an overvalued currency, the economic programme initiated during the Menem government allowed the big national industrial conglomerates to become the winners of the rapid concentration of capital that took place in this sector. Yet, towards the end of the 1990s the sectors producing tradeable goods were increasingly feeling the disadvantages of the exchange rate regime. This had also to do with the fact that the privatisation process had largely been completed. Moreover, the Brazilian currency devaluation effected in 1999 considerably increased the competitive disadvantage

resulting from the overvalued peso, as the much bigger economy of the immediately neighbouring country had become virtually overnight a significantly cheaper industrial location. The financial, commercial, service and creditor sectors, however, continued to have strong interests in the preservation of the convertibility regime. In this sense, the interest conflicts within the economic elite were less about neoliberalism as such than about the peculiar type of neoliberal world market integration. Nevertheless, the divergence of particular interests was weakening the capacity of the economic elite as a whole to uphold a comprehensive neoliberal logic, as the different sectors were increasingly prioritising the use of their channels of political influence for their particular interests in the exchange rate question or other issues of regulation. (Basualdo 2001: 85 – 101) At the same time, as World Value Survey data from Argentina clearly shows, neoliberalism was rapidly losing support in the population¹²⁸, and anti-neoliberal protests, such as of the piquetero organisations and the CTA, were increasingly entering the public space. (See also 3.3.) The increasing rejection of neoliberalism in the population must be seen in the context of a steep downward social mobility of the majority of the population during the 1990s¹²⁹, which contrasted diametrically with the initial promises of wealth for all. The long-standing economic recession that began in late 1998 and recently culminated in 2001/2002 was further contributing to these trends.

The peak of the economic crisis marked a new point of inflection. While in 1991 neoliberalism seemed to wake big hopes among the majority of the population and was accepted by virtually all big parties, it had reached widespread negative connotations by 2002, and the ultimately successful presidential candidate of the 2003 elections based his campaign on a strongly anti-neoliberal rhetoric. (La Nación 22nd of April 2003) Sonia Draibe and Manuel Riesco (2007a: 1) furthermore argued that since the late 1990s the influence of neoliberal ideas has been reduced in most of Latin America. Several left and centre-left governments came to power, which have been, at least in their rhetoric, critical towards neoliberalism. (Svampa 2008: 19) In the literature the roll back of parts of the neoliberal logic in Latin America during the last decade has often been associated with the emergence of a so called “Neo-Structuralism”. (e.g. Kirby 2003: 90) In Argentina the divergence from neoliberal prescriptions is clearly visible along several lines. So, for example, did the governments regularly intervene into the market by fixing maximum prices and minimum wages, by renationalising several privatised companies,

¹²⁸See next part of this chapter for more detail.

¹²⁹Data from the SEDLAC database shows that only the two richest deciles could increase their incomes as a share of the GDP between 1991 and 2001, while the 8 remaining deciles (=80% of the population) experienced a decreasing participation in the country's wealth.

by subsidising services like public transport, by renationalising the pension system and using part of the accumulated capital for countercyclical measures, and so forth.

The Argentine case seems to validate Alex Demirovic's(2006: 14) argument that neoliberalism is not capable of attaining a lasting hegemonic status, as it makes too little compromises that would allow the consolidation of a consensus among a sufficiently large part of the society in the long run. On the other hand, Jamie Peck and Adam Tickell(2002: 380) argue that in the USA and the UK neoliberalism has shown a high level of adaptive capacity, and that, at least in these two cases, the capacity of neoliberalism to sustain a hegemonic position has been underestimated. What can be said, is that the Argentine neoliberalism of the 1990s was too aggressive and too rapidly too harmful for the majority of the population as to retain its position as the prevailing common sense. Nevertheless, parts of the neoliberal logic, without being officially recognised, survived the ideological shift.

b) The neoliberal politics of welfare state adaptation failure

The relationship between politics and neoliberalism must be understood as a mutual one. The last part of this chapter has argued that the predominance of neoliberalism has been, to an important degree, a result of politics. At the same time, neoliberalism „shapes the environments, contexts, and frameworks within which political-economic and socioinstitutional restructuring takes place.“(Peck/Tickell 2002: 400) This part will analyse how neoliberalism has shaped the politics of welfare state adaptation failure.

Analysing the neoliberal policies in the USA and the United Kingdom, Jamie Peck and Adam Tickell(2002: 384) found that two neoliberal phases can be distinguished. The first phase has been described as “rollback neoliberalism”. During this phase the new neoliberal government cut old keynesian institutions and begins to deregulate markets. Later, neoliberal governments in the USA and the UK went over to a second phase, called “roll-out neoliberalism”, during which they focused more on the construction and consolidation of new neoliberal institutions and regulations. Neoliberal social policy in Argentina fits surprisingly well into this categorisation. The neoliberal dictatorship, representing the phase of “rollback neoliberalism”, cut down overall social expenditure as a share of the GDP by over 24 % and reduced employer social insurance contribution rates to less than a half. Expenditure on family allowances, public health, social assistance and unemployment protection was so dramatically reduced that it can be spoken of a virtual dismantlement.(Vargas de Flood 2006: 188, DAGPyPS 2010, Barbeito/Lo Vuolo 1998: 337) The 1990s represent the second phase, the so called “roll-out neoliberalism”, during which the governments were actively pursuing the construction and regulation of markets, or at least

market like competitive spaces, in the health and pension insurance sector. Furthermore, from the second half of the 1990s, the government introduced so called “workfare” or “welfare to work” approaches in social assistance and unemployment protection policies, which aimed at improving the labour supply and thereby at avoiding upward pressures on wage levels.

Yet, despite comparable policy evolutions in the USA, UK and Argentina, the political cycle was significantly different in the latter case. While in the USA and UK democratically elected governments implemented both phases, Argentina was a dictatorship during the first phase. In the two industrialised countries the passing from one phase to the other was gradual, precipitated through comparatively minor crises.(Peck/Tickell 2002: 384 – 390) In Argentina, in contrast, “rollback neoliberalism” ended with a major economic and political crisis that triggered the return to democracy, and in face of a lack of majority support for neoliberalism, also a transitory phase of several years of heterodox economic and social policy.

During the phase of “rollback neoliberalism”, the governments of all three countries saw welfare state retrenchment “not as a necessary evil but as a necessary good”(Pierson 1994: 1). Yet, while for the former the spread of neoliberal views and perceptions throughout the electorate of their countries was of key importance for the political viability of these reforms, the Argentine military government was little worried about majorities. Neoliberal social policy reform during the military dictatorship was guided by neoliberal prescriptions, but was made politically viable mainly through repressive military and economic power, not through the prevalence of a neoliberal common sense in the population.

In contrast, the regressive welfare state reforms during the 1990s, which seriously infringed the 'objective' interests of the majority of the population, owed big parts of its political, and particularly electoral, viability to the dominance of a neoliberal common sense that virtually constituted the ground on which politics took place.(e.g. Lloyd-Sherlock 2005: 1896, Lo Vuolo 1998b: 205)

The fact that all significant parties agreed about the lack of alternatives to neoliberalism implied that political competition was not about whether to implement neoliberal reforms or not, but rather about the specific design of the neoliberal reforms.(Nolte 1996: 24) This may partly explain why the coalition government between 1999 and 2001, which included the centre-left FREPASO party, continued with the neoliberal course of the former peronist government and did not make any attempts towards adapting the welfare state to the social needs of an increasingly unequal and poverty-ridden post-industrial society.

Neoliberal thinking also penetrated the ranks of the trade unions and thereby contributed to the avoidance of stronger trade union resistance to the regressive social policy reforms. Already

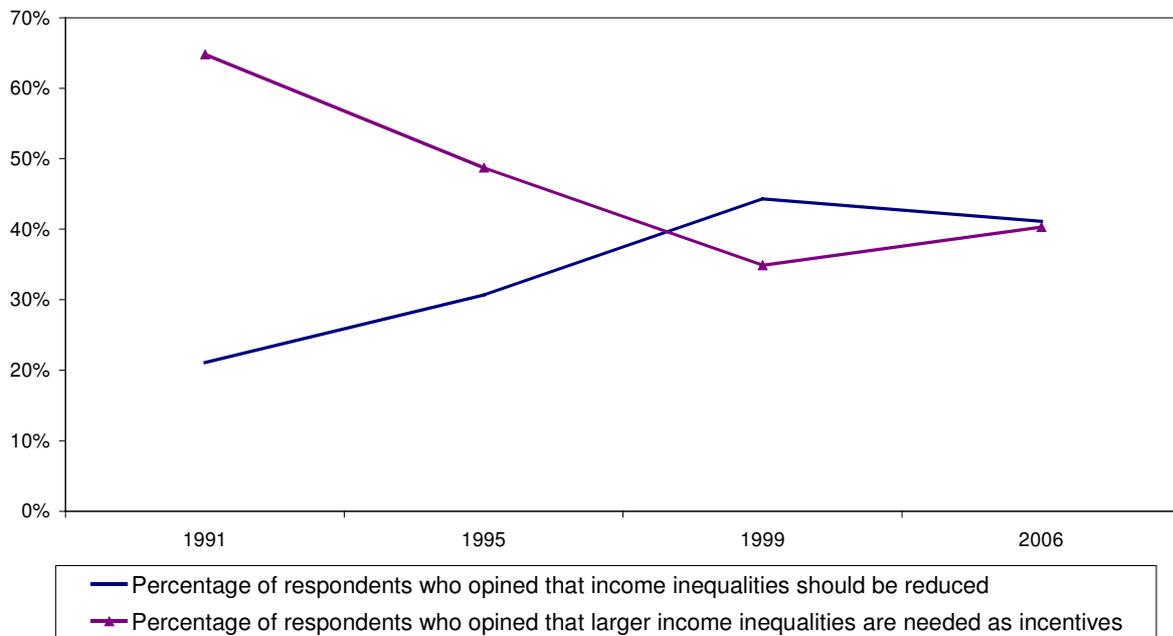
during the late 1980s a group of 15 trade union leaders, including some of the biggest unions, showed support for neoliberal policies.(McGuire 1997: 204/214) During the early 1990s influential trade union leaders repeatedly expressed their neoliberal beliefs:

“In the view of José Pedraza of the railway workers, Menem's reforms were necessary because 'there was no other way for the country to escape the profound crisis in which we found ourselves.' According to Carlos West Ocampo of the private hospital workers, 'the wage is directly related to the gross domestic product, to the capacity to produce, to the capacity to export, to the capacity to create wealth.' In the opinion of José Rodríguez of the auto workers, 'if there is stability, if there is investment, if we're privatizing, if the companies can do business, that's when living conditions will improve.' Oscar Lescano of the light and power workers even argued that the welfare of the country demanded a reduction of union power: 'Perón gave us everything, and successive Justicialist[Peronist] governments allowed us excessive influence. ... we went beyond ourselves in the use of power and now we're paying the price, including before society, which doesn't approve of many of our stances.'
“(McGuire 1997: 234)

In the preceding chapters, I have several times used the expressions 'objective interests' or 'theoretical interests'. So, for example, have I assumed that an informal worker with little chances to accumulate 30 years of pension system contributions has an 'objective interest' in eligibility criteria that allow the retirement also with less years of contribution. However, in practice it is 'subjective interests' what counts in politics. And being so, it is possible that people support policies that infringe their 'objective interests' because they believe that there would simply be no alternative. People may also believe that a measure would be to their favour, although it later turns out that it was not. Neoliberalism has been stunningly capable of shaping (many) people's perceptions. The neoliberal argumentation has often been about indirect positive effects. So, for example, has been argued that reducing social spending will induce economic growth and hence enable the poor to find (better) jobs soon, and by this means contribute to the well-being of the same poor person that is going to receive less social policy support from the state. In the moment of showing support or opposition to policies, for instance through voting for or against the government, it counts what people perceive to be in their interests. Although most Argentineans were going to lose in the neoliberal experience of the 1990s, and particularly through the

regressive remodelling of the welfare state, data from the World Value Survey shows that an ample majority of the population initially shared the central neoliberal believes that guided social policy reform during that decade.

Figure 46: Public opinion with regard to income inequalities



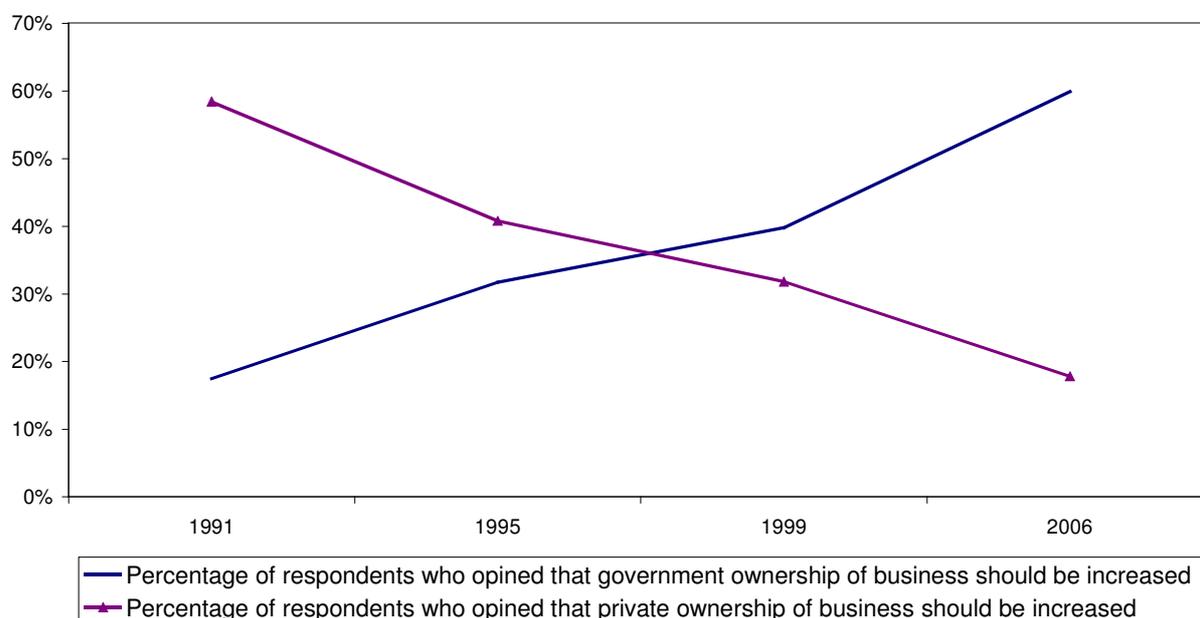
Elaborated by the author. Source: World Value Survey, <http://www.wvsevsdb.com/>.¹³⁰

¹³⁰ Original question of the World Value Survey:

“Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. Sentences: Incomes should be made more equal vs We need larger income differences as incentives“

For the figure, the answers 5 and 6 have been considered as an expression of neutrality.

Figure 47: Public opinion with regard to private vs state ownership of business



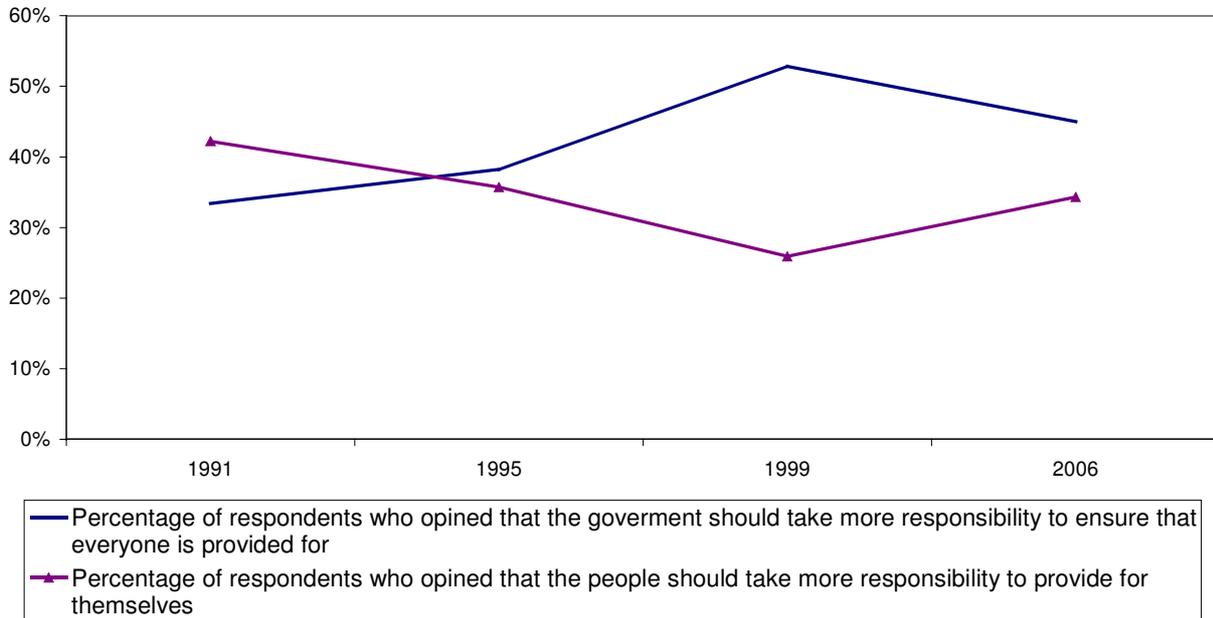
Elaborated by the author. Source: World Value Survey, <http://www.wvsevsdb.com/>.¹³¹

¹³¹ Original question of the World Value Survey:

“Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. Sentences: Private ownership of business should be increased vs Government ownership of business should be increased“

For the figure, the answers 5 and 6 have been considered as an expression of neutrality.

Figure 48: Public opinion with regard to government vs individual responsibility



Elaborated by the author. Source: World Value Survey, <http://www.wvsevsdb.com/>.¹³²

Figure 46 shows that an ample majority of the population supported a rise in income inequalities during the early 1990s, as this was considered to provide positive incentives for individuals. Basically the same argument was one of the central justifications of the pension reform. Supposedly the old system was too egalitarian and did therefore provide too little incentives for workers to contribute to the system. While the available data suggests that the problem was that lower skilled workers were increasingly excluded from the formal labour market, and thereby from contributing to the pension system, the neoliberal reformers argued successfully that informality was mainly a result of the “perverse incentives” that the permissive and egalitarian eligibility criteria allegedly provided.(Arza 2009: 7, Goldberg/Lo Vuolo 2006: 84, see also 2.1.) The impressive public approval of this logic must be seen in the context of the experience with the hyperinflation crisis. On the one hand, the example shows that politics and

¹³² Original question of the World Value Survey:

“Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. Sentences: People should take more responsibility to provide for themselves vs The government should take more responsibility to ensure that everyone is provided for“

For the figure, the answers 5 and 6 have been considered as an expression of neutrality.

power play a decisive role in shifts of the prevailing ideology. Figure 1(in the introduction) showed that during the hyperinflation the poverty rate shot up to nearly 40 %, although the unemployment rate remained at values significantly below the 10 % line.(see also 2.1.) This means that poverty was mainly triggered by skyrocketing income inequalities in face of the high inflation. So, without taking political factors into account, such as the persistent promotion of neoliberal ideas as the only viable alternative through the economic elite, international financial institutions and a variety of think tanks, there are not many reason why people should have “learned” from the hyperinflation crisis that larger income inequalities are a benign thing. On the other hand, the introduction of the convertibility exchange rate system in 1991, the year of the first survey, had virtually overnight reduced inflation to low values. Considering that unemployment had increased only modestly during the inflation crisis, the stabilisation of prices implied that important parts of those who temporarily fell into poverty were able to recover the value of their income with the reduction of inflation. About half of the poverty rate in figure 1 can be explained through groups from the middle income strata, that fell temporarily into poverty but had not been structurally excluded from the (formal) labour market.(Svampa 2008: 27) These groups experienced the early years of the neoliberal decade as an opportunity for upward social mobility that enabled them to return to their pre-crisis position in the social stratification and to distinguish themselves from the rest of the poor that had already before belonged to the lower income strata and that suffered structural exclusion from the wealth of the society. This initial stabilisation through the convertibility plan very likely contributed to the ample support for rises in income inequality, also among lower middle-class groups and formal workers, as many possibly believed to have real chances to be among the winners of this differentiation of incomes. Who believed this, in turn, had much reason to support the neoliberal social policy agenda of the government, as it was largely going to award the winners and to punish the losers. Nevertheless, the reality was another. The new mode of accumulation of the neoliberal decade, and the lack of social protection for the weaker parts of the society, triggered a gradual but massive descent of ample parts of these groups into poverty. In contrast to the experience with the hyperinflation crisis, this time the poverty had become a structural problem for most of them, and the likeliness of a quick return to social inclusion was low.(Kessler/Espinoza 2003: 38)

The figures 47 and 48 indicate that during the early 1990s a majority also supported a slim state, an extension of the private market economy and a greater 'individual responsibility'. The prevalence of such ideas provided a particularly favourable context for the partial privatisation of the pension system and the introduction of market mechanisms into the health care system. While reforms of this kind have often been associated with political costs, the World Value

Survey data suggests that during the early 1990s the Argentine government was very likely even able to politically capitalise through the privatisation and/or marketisation of parts of the welfare state.

Nevertheless, data from the World Value Survey disaggregated by self-defined social class affiliation and educational level shows that neoliberalism has never been omnipotent in shaping the subjective perceptions of interests. The data shows that those social groups that were going to be most negatively affected by the neoliberal social and economic policy reforms, namely the poorer and less educated strata, showed the highest rates of rejection of the consulted neoliberal values. The wealthier and better educated, the more likely it was that the respective person was going to win in the neoliberal experience, and the bigger was also the support for the consulted neoliberal values. If we remember what has been argued in the preceding chapters, we see that those who strongest rejected neoliberalism were precisely the groups that faced serious disadvantages with regard to the participation in the Argentine political system.

As Alex Demirovic(2006: 19) denotes, neoliberalism has often been propagated as a philosophy that aims at the wealth of the society as a whole. In accordance with this argument, it is likely that the initial approval of the neoliberal social policy agenda had also to do with the fact that it was repeatedly justified as being ultimately beneficial for all members of the society. Many outcomes of privatising and/or marketising social policy reforms are, in contrast to most reforms within state-led systems, not clearly predictable for the future, as they basically depend on the evolution of the economy, the returns of the effected investments, and so forth. As Stephen Kay(2000: 18) argued, this enabled the Argentine government to “claim credit for policy outcomes that will not occur until a future date”. At the same time, the government was claiming credits for alleged social policy outcomes that were diametrically contradicting the reality. The social policy reform paper(CEA-FIEL 1995) of the Argentine Employers Council (CEA) and the neoliberal think tank Foundation for Latin American Economic Research (FIEL), which reads like the blueprint for the reform intentions of the governments between 1989 and 2001, impresses with what could be best described as orwellian “double speak”. While the document permanently criticises the inequity of the old social protection systems and assures that reforms should be preoccupied with promoting more equity, virtually all of the proposals in this paper aimed at making the social protection systems even more regressive. Another example for the intentions to obfuscate the regressive character of social policy reform during the 1990s was the rhetoric about a supposed targeting of social expenditure on the poorest members of the society.(e.g. Cortés/Marshall 1999: 206 – 211, Lo Vuolo 1998b: 237) However, the expenditure analysis in 2.2. proves that social expenditure, rather than being targeted on the poor, was indeed

increasingly concentrated on the well off. The increase of social assistance expenditure clearly lacked behind the increase in the number of poor and unemployed persons, which implied that, de facto, social expenditure per poor or unemployed person was decreasing during most of the 1990s. At the same time, the marketisation and the increased regressive and exclusiveness of social programmes that consumed over ten times the amount of resources between 1989 and 2001, namely the health and pension insurances, led to an increasing concentration of the majority of the social expenditure on the better off. (Calculated on the basis of DAGPyPS 2010) Walter Korpi and Joakim Palme (1998) found in an international comparison among OECD countries, that indeed those countries which strongest “targeted” their social expenditure on the poor, were paradoxically at the same time those countries whose welfare states least diminished inequality levels. This paradox has to do with the fact that the welfare states with the highest degrees of targeting, possessed simultaneously the smallest overall redistributive budgets. In other words, while countries like Sweden may have little social expenditure that is specifically targeted on the poor, nearly all areas of the welfare state redistribute income from the better off to the less well off, including also weaker non-poor sectors. If we look at the Argentinean social policy reforms during the neoliberal governments of the 1990s, we see that their core was the reduction of the overall redistributive budget, by eliminating big part of the already scarce solidarity elements in health and pension insurance, rather than the targeting on the poor.

Besides national actors like employer associations and related think tanks, also the international financial institutions put considerable effort in promoting their versions of an “equitable and sustainable” approach to welfare state reform. So, for example, was the World Bank a key promoter of the health care reform of the 1990s. (Alonso 2007: 165, Lloyd-Sherlock 2005: 1894, Lo Vuolo 1998b: 233) Also the IMF pressured for a complete opening of the health insurance market to private insurers. (e.g. La Nación 11th of April 1998) Armando Barrientos (2007: 423) notes that the “World Bank has invested a large amount of financial, political and intellectual capital in the reform of pension systems in Latin America”. Influential World Bank (1994) documents like “Adverting the Old Age Crisis. Policies to Protect the Old **and** Promote Growth” show that the World Bank’s concern with pension reform during the 1990s was centrally motivated by the aim of extending neoliberal adjustment policies to the pension systems. Ten years later, a World Bank assessment study, conducted by senior pension economists of the bank, concluded that the World Bank’s pension reform agenda has been impressively influential in Latin America, emphasising that “no other region has taken it more seriously than has Latin America” (Gill/Packard/Yermo 2005: 1). While hitherto the International Labour Organisation (ILO) occupied a central role in external pension policy advice in Latin

America, the World Bank and the Inter-American Development Bank, two powerful proponents of pension system privatisation, increasingly replaced the influence of the ILO during the 1990s. (Kay 2000: 7) The example shows how the power shifts associated with the ascendancy of neoliberalism on the international level effectively contributed to neoliberal social policy reform in Argentina. Neoliberalism not only shaped the national context within which the politics of the welfare state were taking place, but also the international context.(e.g. Cortes/Marshall 1999: 195 – 201)

Already a few years later, and despite high rates of economic growth, the social reality began to diverge so strongly from the promise of wealth for all, that notwithstanding the efforts of the government, the neoliberal think tanks, the international financial institutions and the employer organisations, the public support for neoliberal social policies began to erode. As the figures 46 – 48 indicate, from the late 1990s on, core neoliberal concepts were rejected by a majority of the population. Since the crisis in 2001/2002, the international financial institutions have become largely discredited in the eyes of the Argentinean public.

In particular the partial privatisation of the pension system, which constituted the most important social policy reform project of the 1990s, lost rapidly support in the population, as the outcomes proved to be everything else than beneficial for the majority of future pensioners. The private pension system was hardly able to fulfil any of the neoliberal illusions about high returns, efficiency and equity that had been used to justify the privatisation. The deep crisis around the beginning of the new millennium even created doubts about the sustainability of the system. (Arza 2009: 6) The privatised system did not lead to a decrease of informal employment. Contrariwise, as has been shown in 2.2., the number of low income affiliates fell dramatically. The so called political risks¹³³ related to public pension systems have not been reduced, as bad administrators simply converted into bad regulators.(e.g. Arza 2009, Kay 2009, Calvo et al. 2010) As has been shown in 2.2., instead of promoting equity, the pension reform induced a rapid rise in pension benefit inequalities and severely declining coverage. Instead of increasing the efficiency, the private system created stunningly high administration costs. After 1994, private pension funds' administration costs constituted between 15.6 % and 37.8 % of the revenues, while the administration costs of the public system only oscillated between 1.4 % and 2.4 %¹³⁴.(Arza 2009: 8/32) The public support for the private pension scheme decreased even

¹³³Political risk refers in this matter mainly to the inefficient or inadequate governance of pension systems.

¹³⁴ It has to be considered that the public system contains some hidden administration costs like services provided by other state entities or the free use of public administrative buildings, which are not included in this numbers. However, also taking these costs into consideration the administrative costs are far lower in the public system than in the private sector. This has mainly to do with the reduced economics of scale and the high expenditure for

more when it finally turned out that the private pension entitlements would in average lack behind public system pensions.(e.g. Página 12 31st of August 2004, La Nación 26th of September 2004) Also the majority of the parties in the fragmented opposition were increasingly sceptical of the private pension scheme.(El Clarín 22nd of November 2008)

The increasing rejection of neoliberal ideas, and the discreditation of those actors that had most forcefully promoted neoliberal social policy reform, namely the financial sector and the international financial institutions, opened opportunities and created (electoral) incentives for the government to change the social policy course. On this background, social policy reform, particularly in the field of pension policies, was able to reverse big parts of the setbacks of the 1990s and to progress with regard to welfare state adaptation.

advertisement that are common in the private branch.(Arza 2009: 8)

4 CONCLUSIONS

The central question that motivated and guided this political science study has been *why* Argentine politics failed to adapt the welfare state to the new constellation of social risks and needs that stemmed from the profound transformation of the labour market after the abandonment of the import substitution industrialisation model.

On the basis of empiric data this text has shown that the transformations of the Argentine labour market since the abandonment of the ISI strategy have seriously limited the effectiveness of the Argentine welfare state. Unemployment and informal employment have expanded strongly, income inequalities have risen steeply, and work histories have become increasingly unstable. The institutional design of the Argentinean informal-corporatist welfare state in force during the mid 1970s has proven particularly incapable of protecting against the social risks stemming from these labour market changes. The strong emphasis on the social insurance principle, the largely regressive character of both financing and spending of the Argentine welfare state, and the lack of social protection schemes for unemployed workers and working-poor were going to reproduce the negative social consequences of the deterioration of the labour market rather than to countervail them. Furthermore, the increasing participation of women in the labour market was requiring solutions to the problem of the incompatibility of family and work in face of the limited provision of child and elderly care services. For all these reasons, active social policy reform would have been necessary to adapt the Argentine welfare state to the new constellation of social risks.

However, as the extensive analysis of the evolution of social spending disaggregated by program and the changes in the social policy legislation has shown, the Argentine welfare state has not been adapted adequately to these changes in the underlying society.

Despite the massive expansion of unemployment and precarious employment, social protection against these social risks has remained very weak, both in terms of coverage and quality. Health care policies have even deteriorated the capacity of the welfare state to respond to the social consequences of labour market deterioration. Firstly, social health expenditure has been redistributed in favour of the semi-public social health insurance system and in detriment of the universal public system. At the same time, however, a growing share of the population had no access to health insurance coverage and had therefore to rely on an increasingly underfunded system of public hospitals. And secondly, the reform of the social health insurance system during the 1990s has further reduced the scarce solidarity within the system, so that rising wage

differences within the formal labour market led increasingly to inequalities regarding the quality of health insurance coverage. Family policy reform has also tended to exacerbate the inadequacy of the welfare state, at least until late 2009. Public child and elderly care provision is until today very limited, so that work and family continue to be hard to combine. This is especially true for the poorer sectors of the society, who cannot afford private care services. Furthermore, the available data shows that poor families are also disadvantaged with regard to the access to the scarce publicly provided care services. Until 2009, family allowance expenditure as a share of the GDP was considerably lower than it was during the mid 1970s. This has contributed to the over-proportional rise in child poverty. However, in 2009, an important inequity of the child allowance system was removed. While before child allowances were only paid to workers of the formal sector, since late 2009 also unemployed and informal workers with children receive the benefit. Pension policies have been most responsive to the deterioration of the labour market. Despite rising unemployment, informal employment, and income inequalities within the working age population, pension coverage rates are today very high and the inequality between benefits is low. Therefore, the poverty risk is significantly lower for the elderly than for any other age group. Nevertheless, it must be mentioned that the favourable indicators of the pension system are virtually all the result of temporary measures. If no lasting changes are implemented, these indicators will deteriorate again.

The dramatic rise in the poverty rate from about 5 % of the population during the mid 1970s to over 50 % during the peak of the crisis in 2002 shows how ineffective the Argentine welfare state has been in protecting the population against the basic social risks. Although the poverty rate has decreased during the last years due to the recuperation of the labour market, it was still about four times higher during 2009 than in 1975. The failure of the Argentine social policy has thereby been twofold. On the one hand, it was unable to respond to the labour market transformations in order to avoid the transmission of labour market deterioration into rising poverty rates. On the other hand, the relationship between labour markets and social policy is essentially a mutual one. Welfare states are affected by labour market changes, but the latter are also affected by the former. Esping-Andersen(1990: 221) rightly pointed out, that “labor markets derive much of their logic from how they are embedded in the institutional framework of social policy”. When welfare states guarantee minimum incomes in order to avoid that unemployment triggers poverty, they also avoid that wages in the labour market fall below the poverty line. When welfare states guarantee decent health, child and elderly care provision to all its citizens, they also expand employment in these sectors. Contrariwise, a lack of social protection may force people to enter the labour market that would not do so voluntarily. So, for example, has

been mentioned in chapter 2.2. that the decrease in pension coverage during the 1990s led to an increase in the labour market participation of the elderly. Figure 6 in 2.1. shows that during the 1990s the economically active population grew significantly, while simultaneously the working population was decreasing. The lack of social protection certainly contributed to this paradox, as in face of a lack of income, family members that may otherwise not have looked for work, such as the elderly or students, were entering the labour market in the hope to become able to contribute to the well-being of the family. This, in turn, increased even more the imbalance between labour force offer and demand, which hence resulted in additional downward pressures on wages and exacerbated thereby the problem of the working-poor.

The failure of welfare state adaptation consequently favoured the increasing concentration of the societal wealth in two ways. On the one hand, welfare state adaptation would have required more progressive financing and spending in order to include all those who had little possibility to pay contribution rates but urgently needed access to social protection. The failure of welfare state adaptation therefore relieved the winners of the process of income concentration from a redistributive burden. At the same time, welfare state adaptation would have interfered into the distribution of incomes that the labour market generates in the first place. Also this interference would have favoured lower income groups. In this sense, welfare state adaptation in Argentina has been very much part of a distributive and redistributive question with important impacts on the division of income between capital and labour.

This indicates that welfare state adaptation, from a political perspective, has been more than just the sum of a number of interests of particular groups, such as pensioners, unemployed, women, formal workers, informal workers, families, and so on. As has been argued in 3.2. and 3.3., the would-be beneficiaries of welfare state adaptation were not loose groups dispersed throughout the society, but very much concentrated in what Argentine authors often called the “clases populares”(e.g. O'Donnell 1977, Svampa 2005), which include the working class and the poor. Families or individuals from these social classes usually faced a lack of social protection against several social risks. A low income family was very likely to be affected by informal employment or unemployed, often faced exclusion from the health insurance system, its working members had hardly any chance to attain pension entitlements¹³⁵, and its access to child and elderly care services was highly restricted.

¹³⁵This is true if the rules of the pension system enacted with the 1993 reform are considered. As has been mentioned, the temporary measures of the so called „pension inclusion plan“ improved the access to pension entitlements for low income groups, yet, not lastingly.

As has been argued, the Argentine social structure and the mode of accumulation during most of the post-ISI period indicate that interests with regard to welfare state adaptation diverged very much between social classes. While upper income groups, and particularly employers that depended little on lower class consumption, had strong interests in avoiding welfare state adaptation, the increasingly poor majority of the population would have benefited from it. Between 1992 and 2009, 50 % of the population disposed in average over only 18 % of the national income, while the richest 10 % of the population concentrated 36.2 % of it.(SEDLAC database)

On this basis, this text has argued that an analysis of welfare state adaptation failure in Argentina has centrally to take the distribution of power resources between social classes into consideration. In this sense, the power resources theory, which focusses particularly on the distribution of power resources between working class and employers, importantly contributed to the theoretical framework of this study. Power resources theorists have argued that strong working classes considerably influence the size and the shape of the welfare state in favour of the economically weaker sectors of the society.(e.g. Korpi 1983, 1998, 2006, Esping-Andersen 1990) One of the strengths of the power resources theory has been the ability to carry out quantitative time-series cross-sectional comparisons to provide empirical evidence for the relation between working class power and the size and shape of the welfare state. Yet, quantitative comparisons require comparable indicators. It has usually been assumed that strong labour parties(e.g. Esping-Andersen 1990, Huber/Ragin/Stephens 1993) or strong trade unions(e.g. Rothstein 1998) reflect strong working classes. Hence, power resources theory studies have measured working class power mainly as the cabinet and parliament shares of these parties or the degree of unionisation. However, the Argentinean case suggests that the concentration on these indicators can be too narrow in some cases as to adequately reflect the real distribution of power resources. In Argentina unionisation rates have remained relatively high since the abandonment of the ISI strategy, and a labour-based, although not left, party has governed during 20 of 27 years of democracy. Nevertheless, labour interests have been clearly on the defence since then. The findings of this text with regard to the Argentinean case seem thereby not to be isolated. The social democratic governments of Gerhard Schröder in Germany or Tony Blair in the United Kingdom are examples for that labour party governments are also in other countries not necessarily a good indicator for strong working class influence over social policy anymore. Both governments have pursued welfare state reforms that considerably stronger reflected business interests than working class interests.(Bundesregierung 2003,

Department of Social Security 1998) Olsen and O'Connor(1998: 21) have argued in this regard that:

“In the new, more global environment, financial capital, transnational corporations, and other actors play a significantly greater role in determining what is desirable, or even possible, with little if any regard for 'strong' national labour movements.”(Olsen/O'Connor 1998: 21)

This case study has provided the opportunity to examine empirically and theoretically the power relations that contextualised the failure of welfare state adaptation in Argentina, which may contribute in some way to refine the understanding of the relationship between the distribution of power resources and the politics of welfare state adaptation in a non-OECD but nevertheless post-industrial context. I have argued that the specifics of the Argentinean case in particular, but also the abandonment of national market oriented and broadly Keynesian development strategies in general, have reinforced the value and fruitfulness of broader perspectives on power in order to explain welfare state development. Therefore, this work has also dealt with the importance of institutions in a wider sense, as these are essential to understand why neither the return to democracy nor the high degree of unionisation or the dominance of a labour-based party have provided the numerically strong group of would-be beneficiaries of welfare state adaptation with sufficient power resources to propel social policy reform in their favour. Another aspect considered important has been ideological power, in the sense that the prevalence of neoliberal ways of interpreting the reality has contributed to the widespread perception that welfare state adaptation would be harmful for the economy and not feasible in the context of global competition. An understanding of the institutional and ideological framework within which the politics of welfare state adaptation took place contributes not only to better capture the relations of power between the different interests, but also helps to understand important patterns of political behaviour of the main actors involved in it.

The chapter 3.2. has examined important aspects of the historical legacy of the Argentine welfare state, as many of the formal and informal institutions that shaped the political dynamics of social policy adaptation failure stem from the period prior to the period of study. It has been argued that the consolidation of a largely insurance based and little redistributive welfare state has to be seen in the context of the ISI model and the incorporation of the labour movement into the peronist cross-class alliance with a sector of the national industrial capital. For the industrialists in this alliance a social insurance based form of organising the welfare state was an

acceptable solution, as it preserved status differences and contained relatively little redistribution. At the same time, the long-standingly benign labour market context limited the advantages for the labour movement that would have stemmed from more universalistic forms of social protection. However, even more important for an explanation of the trade union support for this kind of welfare state was the fact that trade union leaders were conceded considerable power resources with the control over the health insurance system. Social inclusion and redistributive aims were hence mainly pursued outside the welfare state through wage bargaining and full employment policies. Although the dissolution of the ISI model since the mid 1970s coincided with a deterioration of the labour market, which implied that the chosen social protection model became increasingly ineffective and disadvantageous for the working class, the trade unions rather pressured for the preservation of the system than a progressive reform of it. This pattern of political behaviour of the trade union elites becomes understandable when it is considered that the control over the health insurances constituted an important resource of personal power. As the progressive health care reforms that were proposed by governments during the 1970s and 1980s foresaw a greater role of the state in the system in order to organise it in a more universalistic, equitable, and efficient way, the trade union leaders opposed these fiercely. This confirms the argument that policy legacies create resistance against egalitarian reforms among privileged groups. (Huber/Ragin/Stephens 1993: 722) Usually trade union leaders and their rank and files are seen as one interest group. However, this text has argued that the personification of the trade union movement during the 1940s and 1950s has created strongly hierarchic and largely undemocratic trade union bureaucracies, which enabled trade union leaders to attain high levels of autonomy from their rank and files. On this basis, trade union leaders developed personal interests that were not necessarily reflecting working class interests, even sometimes clearly contradicting these. The preservation of the health insurance system privileged the trade union leaders, but was increasingly disadvantageous for a majority of their rank and files. The lack of internal democracy made trade union leaders little sensible for the changing social policy interests of their social bases. Furthermore, those who had the strongest interest in welfare state adaptation, namely unemployed and informal workers, were largely excluded from trade union affiliation. The personification of the trade union movement had moreover pushed back the influence of socialist and communist ideas, which would arguably have favoured stronger solidarity with the unemployed and informal workers for ideological reasons. In this context, welfare state adaptation constituted at best a low priority for the majority of the trade union leaders. The high level of autonomy that trade union leaders attained from their rank and files was contrasted with the high dependence that characterised their relation with

the state. In contrast to the former, the state was endowed with ample faculties to discipline and to co-opt trade union leaders. This particular structure of the Argentine trade union system largely explains why, despite high degrees of unionisation, trade unions constituted ineffective instruments for the transmission of the interests of the would-be beneficiaries of welfare state adaptation into political pressure.

The “path-dependency” has been considerably weaker with regard to the pension system in which the trade unions had considerably less influence. In the face of the weakening of the overall trade union power that resulted from the de-industrialisation process and the rising unemployment and informal employment rates, trade union leaders concentrated their social policy efforts on the preservation of the health insurance system in detriment of other social policy areas. While in western countries pension insurances are considered to create extraordinarily strong vested interests due to the attainment of rights that reflect the contributions effected over many years, the recurrent crises and the reiterated changes in the real values of pensions through inflationary bursts seem to have prevented the consolidation of comparably strong vested interests in Argentina. While health insurance reform attempts were only able to implement limited changes to the system, the pension system underwent several profound reforms since 1975. This allowed both a regressive remodelling of the system during the 1990s and largely egalitarian pension policies during the 1980s and 2000s.

As has been argued in 3.3., the defence of the exclusionary health insurance system, and the low priority that trade union leaders assigned to welfare state adaptation in general, impeded the formation of a strategic (social policy) alliance between formal labour, which was mainly represented through the trade unions, and informal and unemployed labour, which constituted a rapidly growing group that gave origin to a multitude of mostly local social movements. This division of the would-be beneficiaries of welfare state adaptation further weakened their power resources. Only since the late 1990s and early 2000s the social movements of the poor and informal workers, together with the progressive minority fraction of the trade union movement (the CTA), reached considerable mobilisational strength in favour of progressive social policy reforms. Yet, after 2003 the peronist governments of Néstor and Christina Kirchner had ample success in applying co-optation and divide and rule tactics towards these.

The detailed analysis of this text has thereby shown that high degrees of unionisation do not necessarily imply strong working class influence on social policy. The Argentine case suggests that the institutional characteristics of the trade union system, as well as the role of trade unions and their leaders in the administration of social policy programmes, may have decisive impact on whether and how strongly trade unions favour progressive welfare state reform.

The abandonment of the ISI strategy and the structural changes in the Argentine economy furthermore strengthened those social forces that were interested in avoiding welfare state adaptation. While during the ISI period those employers that focussed on the national market had a certain interest in social policies that were sustaining and stabilising consumption, the abrupt opening of the economy implied that most of them increasingly saw in the costs of such programmes, and in the potential effects of these on the wage levels, an obstacle to their competitiveness. Furthermore, the accumulation of enormous amounts of foreign debt through the military government shifted power to international creditors, particularly international financial institutions, such as the IMF, the World Bank, and the Inter-American Development Bank. The regressive neoliberal social policy reforms of the military dictatorship(1976 – 1983) and the democratic governments of the 1990s, which exacerbated the incapability of the welfare state to respond to the social risks stemming from labour market deterioration, largely reflected the interests of the most powerful employers and international creditors. While the former have been actively involved in the policy making processes during both periods, the latter became mainly influential during the 1990s.

Power resources theory studies usually concentrated exclusively on analysing the effects of working class power on the welfare state. This study, however, suggests that a closer look at the employer sector can contribute importantly to an understanding of social policy development. Through the increasing concentration of incomes, and the possibilities that emerged for employers through the opening of the borders for the flows of capital and goods, employers have become more powerful in influencing social policy despite continuously high degrees of unionisation and a electorally strong labour-based party. Furthermore, the concentration and transnationalisation processes in the economy have reduced the disposition of employers to tolerate progressive social policies that tend to strengthen consumption, and have increased their preference for little redistributive market oriented social policy arrangements that rather strengthen financial markets than consumption.

During the military government(1976 – 1983), the most powerful employer sectors were able to impose many of their political aims, also in social policy, against the interests of the majority of the population. The coup d'etat of March 1976 had the support of most of the employer associations. Representatives of several of these associations occupied central posts in the military government. In face of the incapability to impose their interests under democratic rule, the power of the economic elite found its expression in a repressive military regime. In the context of an absence of elections and the prohibition and suppression of most of the activities of

the labour movement, the would-be beneficiaries of welfare state adaptation had only very limited possibilities to exercise political influence on the social policy course of the government.

Yet, also the return to democracy in 1983, and the end of repression against the trade union movement, did not lead to a process of welfare state adaptation. As has been argued in 3.2. and 3.3., the majority of the trade unions proved to be relatively ineffective instruments for the representation of the social policy interests of the working class and the poor. Nevertheless, the fact that a large share of the potential electorate would have benefited from welfare state adaptation allows to assume that their electoral power should have favoured the implementation of such policies in the long run. In practice, however, the Argentine political system severely hampered the possibilities of big parts of the often poor would-be beneficiaries of welfare state adaptation to take advantage of their numerical strength in order to promote their social policy interests. In accordance with the findings of Frederick Solt(2008) it has been shown that the social exclusion experienced by many of the would-be beneficiaries led also to a political exclusion, which has been reflected in their considerably lower participation in elections and other forms of political participation. Important parts of the very poor furthermore depended on clientelistic networks of political parties, particularly of the PJ. As has been argued, the mechanisms of political clientelism implied a political subordination of the poor in the sense that they hampered the poors' capacities of autonomous organisation and directed their political support, and ultimately their votes, to parties that did not promote their interests. At the same time, the viability of clientelistic practices required the persistent social exclusion of the “clients”, so that these practices created significant incentives for politicians not to establish any genuine social right for the poor, as this would have basically impeded the further use of social assistance programmes for vote-for-favour strategies. Moreover, the extensive use of such strategies provided politicians with relatively high autonomy from the real preferences of the poor, as the mobilisation of the political support from many of them did not rest on the representation of their interests but on the discretionary awarding of (vital) “favours”.

The institutional setting of the Argentine political system in general, and the PJ party in particular, further increased this autonomy and resulted in practice in a strong concentration of political power on very few leaders on top of the state and the PJ party. The PJ has been governing during nearly 20 of 27 years since the return to democracy. One of the consequences of the high concentration of power was that the rank and file of the PJ, which came in its majority from working class and/or poor backgrounds, possessed little possibilities of influencing the government's social policy agenda. The weakness of party structures, the lack of party internal democracy, and the high dependence of lower party levels on the party leadership

made the emergence of oppositional party internal forces around topics such as welfare state adaptation relatively unlikely. The party internal concentration of power was reinforced through the weak institutionalisation of the link between different government levels, which led in practice to a strong dependence of lower government levels on the central government. While the poor and working class majority in the rank and file lacked institutional mechanisms that would have allowed them to take advantage of their numerical strength, the lack of institutionalisation and accountability, and the high concentration of power favoured the direct channels of influence, such as lobbying and personal relations, that were open mainly for those who possessed economic power. In this sense, the formal and informal institutions of the Argentine political system seriously disadvantaged important parts of the would-be beneficiaries of welfare state adaptation, while they strengthened the influence of those who were opposing it.

The Argentine case indicates thereby that for a better understanding of the way in which different social interests are capable of influencing social policy in democratic systems, it can be fruitful to look at the wider institutional framework. Particularly in comparably young and weakly institutionalised political systems such as in Argentina, it seems important to examine also the informal institutional rules, which often contradict the legal rules, but which in practice determine to an important degree the dynamics of the politics of the welfare state. This wider institutional framework is not neutral, but expresses to a certain degree the (past) relations of power, at the same time that it interferes in the contemporary distribution of power resources and influences the political behaviour of the actors involved in welfare state politics. The wider institutional framework within which the Argentine politics of social policy took place during the last 35 years has been unfavourable for welfare state adaptation on both dimensions. It interfered in the distribution of power resources in detriment of those who would have benefited from welfare state adaptation, as well as it provided incentives for politicians and trade union leaders not to promote reforms in this direction.

This study has furthermore found that the politics of welfare state adaptation have not only been framed by institutions, but also by prevalent ideologies. The social policy trends identified in 2.2. show that during the military government and the governments of the 1990s, which largely followed neoliberal logics, the welfare state was rendered even less capable of responding to the social risks stemming from labour market deterioration. Welfare state adaptation would have required reforms that were considered harmful for the economy, and ultimately for the society as a whole, from the neoliberal perspective. While welfare state adaptation would have required more inclusive and progressive social policy, the neoliberal logics suggested that the regressiveness of the welfare state provided work incentives and that it

favoured investment. While welfare state adaptation would have required that the state interfered into the distribution of wealth generated by the market, the neoliberal logics suggested that the welfare state itself should become a part of this market. The neoliberal interpretation of the relation between globalisation and social policy furthermore suggested that a progressive welfare state was not viable anymore in a competitive world.

Like the institutional framework, also the ideological framework of welfare state politics can be considered to a certain degree result of power relations and politics, at the same time that it interferes into the distribution of power and influences the political behaviour of the different actors. It has been shown that the rise of the Argentine neoliberalism can be linked to structural changes in the economy that concentrated economic and political power on sectors that supported the neoliberal reorientation of public policy, while the social forces supporting the ISI model have been weakened. Particularly important for the Argentinean case have thereby been the increasing economic weight of the financial sector, the growing concentration and internationalisation of the industrial capital, the strong concentration of land in the hands of an economically liberal oriented oligarchy, and from the 1980s on, the strong influence of the international financial institutions due to the high foreign debt of Argentina. While during the military dictatorship a neoliberal reorientation of social policy was enforced through authoritarian and repressive means, during the (early) 1990s neoliberal thinking became dominant throughout the society.

Although the Argentine neoliberalism turned out to favour only the interests of a relatively small wealthy minority, data from the World Value Survey has shown that an ample majority of the Argentine population supported the neoliberal ideas that guided social policy reform during the 1990s. During that decade, all mainstream parties agreed that there was no alternative to neoliberal policies. Even many of the most powerful trade union leaders supported the neoliberal course of the government, stating publicly their convictions that these would ultimately be to the benefit of everyone, or that they simply saw no viable alternative. In this sense, neoliberalism has been shaping public perceptions in a highly unfavourable way for welfare state adaptation. While the data about the social structure of the Argentine society indicates that a majority would have benefited from welfare state adaptation, the World Value Survey data indicates that subjectively many of them perceived the opposite to be true, or that welfare state adaptation, although desirable, was not feasible. The World Value Survey data, however, also shows that this dominance of neoliberal thinking was vanishing as the negative social consequences of neoliberalism became more and more evident. The increasing rejection of neoliberal thinking during the 2000s coincided with a change in the direction of social policy. While the neoliberal

governments between 1976 – 1983 and 1989 – 2001 implemented significant setbacks with regard to welfare state adaptation, the heterodox governments of the 1980s and 2000s progressed with this regard and partly reversed the setbacks of the preceding governments.

This work was able to show with the help of empiric data that the prevalence of neoliberal thinking had decisive negative impact on the chances for progressive welfare state reform in Argentina. The role of ideology contributes thereby to an understanding of why social policy was fundamentally in line with business interests during the 1990s, despite high degrees of unionisation and a labour-based party in the government. The abrupt shift of the labour-based PJ party from traditionally rather state-oriented positions to a profoundly neoliberal agenda has thereby been facilitated by the before described weakness of party internal institutions which provided a small group of leaders with high autonomy from the rank and file.¹³⁶

Since 2002, the ideological framework seems to have provided more favourable conditions for welfare state adaptation. In addition, since the late 1990s the social movements of the unemployed and informal workers have developed considerable mobilisational power. The recuperation of the labour market since 2003 has moreover increased the power of the trade unions. During the last years, several of the rather left oppositional parties have proposed progressive social policy measures. In this context, some progress towards an adaptation of the welfare state has been made. Particularly the expansion of pension coverage and the extension of the child allowance system can be considered significant steps forward.

Nevertheless, several of the conditions that proved to be unfavourable for an adaptation of the welfare state in the past, continue to persist at the moment of writing this text. The institutional setting of the Argentine political system, and particularly many of the informal institutions associated with it, continue to politically disadvantage parts of the would-be beneficiaries of welfare state adaptation. Also the trade union system continues to show a persistent lack of democracy, and the trade union leaders of the majority fraction (CGT) seem still not to be disposed to accept a reform of the inequitable, inefficient and exclusionary health insurance system. At the same time, the more progressive minority fraction (CTA), which in contrast to the CGT actively promoted steps towards welfare state adaptation, has ultimately been weakened due to internal conflicts. These internal conflicts seem to be linked to the co-optation and divide and rule strategies of the peronist government, which actively intervened into internal processes of the CTA in favour of the government friendly wing of the confederation. The impressive co-

¹³⁶According to Christine Trampusch(2005: 77 – 90 , 2008: 165 – 172) the adoption of a largely neoliberal social policy agenda by the German social democratic party during the early 2000s also coincided with a certain autonomisation of the party elite from the rank and file.

optive capacity of the peronist government has also increasingly affected the social movements of the unemployed and informal workers, which seriously puts the autonomy of several of these organisations into question.

The improvement of the labour market context during the last years has somewhat increased the effectiveness of the Argentine social insurance system again. Nevertheless, as has been shown in 2.1., severe problems with precarious informal employment, and to a lesser degree with unemployment, continue to persist. Furthermore, the recuperation did not benefit all social groups equally. Particularly the poorest of the poor have been left behind. The Argentinean economists Corina Rodríguez Enríquez and María Fernanda Reyes(2006: 7) estimated that it would take several decades until the formal labour market would have completely absorbed unemployment and informal employment, even in the unlikely case that growth rates continued at the current(2006) level. Therefore, welfare state adaptation continues to be an issue of high social importance for ample parts of the society. Moreover, inclusive social rights are needed also in benign labour market contexts. If we want to take human rights seriously, nobody should be condemned to poverty, no matter why he or she cannot or want not participate in the paid labour market. Furthermore, as this work suggests, a right to social inclusion can be expected to considerably improve the quality of democracy, as social human rights and political human rights can hardly be separated in the real world.

It is the big hope of the author of this text, that the arguments brought forward in this study contribute in some way to a better political understanding of why welfare state adaptation largely failed during the last 35 years in Argentina. This may ultimately help to find ways of problem solution for the future. In the eyes of the author, one of the central findings has been that progressive welfare state reform seems to be most likely when lower classes reach empowerment. However, empowerment does not only require high levels of affiliation to political parties, unions, and social movements, which would be the case in Argentina, but it requires structures that allow real democratic participation in order to make these organisations effective instruments for the representation of their interests.

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<http://www.insm.de/insm/Themen/Soziales/ISNM-Dossier-Familie/BDI-BDA.html>

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ANNEXE

Acknowledgements

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Abstract

This case study examines the politics of failed welfare state adaptation in the context of profound labour market transformations since the abandonment of the Import Substitution Industrialisation (ISI) strategy in Argentina.

During the recent years, a growing political science literature has emerged that focusses on social policy adaptation processes in post-industrialising societies. The underlying finding of this literature is that in most OECD countries, post-industrialisation processes have caused important changes in the constellation of the prevalent social risks. Most of these changes were strongly related to transformations of the labour market. So, for example, has the number of long-term unemployed increased in the majority of the countries, work histories have become more unstable, precarious employment has expanded, and female labour market participation has risen. In most cases, these changes required an adaptation of the respective welfare states in order to guarantee adequate levels of social protection. However, the way in, and the extent to, which social policy reforms during the last decades have been responsive to these changes varied significantly between countries. On this background, political scientists as well as social policy researchers of other disciplines have studied the politics of welfare state adaptation in order to find explanations for this variance and to identify the determinants adaptation processes.

Until now the literature on this topic is virtually restricted to OECD countries. Nevertheless, there are relatively advanced welfare states outside the OECD that have been confronted with comparable processes of labour market transformation during the last decades. On the basis of a wide range of empiric data, this case study shows that since the abandonment of the ISI strategy during the mid 1970s, Argentina has experienced a profound transformation of the labour market, which comprised strong rises in unemployment, precarious (informal) employment, and income inequalities, as well as increasingly unstable work histories. Female employment rates have increased strongly since then. These labour market transformations posed severe challenges for the effectiveness of the Argentine welfare state, which had virtually been designed for a dominantly male breadwinner full employment labour market. On the basis of a detailed analysis of disaggregated spending data and social policy legislation between 1975 and 2010, this study shows that Argentina constitutes an extreme case of welfare state adaptation failure. Firstly, the transformation, respectively the deterioration, of the Argentine labour market has been extraordinarily profound. Secondly, the specific institutional setting of the 'informal-corporatist' Argentine welfare state during the mid 1970s was particularly incapable of coping with the social consequences of the labour market changes that came afterwards. And thirdly, social

policy reform after 1975 has hardly responded to these changes. The dramatic rise in poverty rates from around 5 % in 1974 to a maximum of about 50 % in 2002 indicates, among others, how ineffective the Argentine welfare state has been in protecting its citizens against the basic social risks.

On the basis of empiric data about the Argentine social and economic structure, this text argues that the interests with regard to welfare state adaptation have been diverging largely along class-lines since the abandonment of the ISI strategy. In contrast to so called pluralist approaches, which emphasise the importance of multiple and rather fragmented interest groups such as social policy constituencies of different programmes, this text argues that the majority of working class and poor citizens would have benefited from welfare state adaptation rather independently of the respective programme. On the other side, the redistributive requirements of welfare state adaptation, as well as its potential labour market effects, conflicted strongly with upper class/capital interests. In accordance with the power resources theory (PRT), this study finds that the failure of welfare state adaptation over the long run has been contextualised, and largely determined, by a shift in the distribution of power resources in favour of capital and in detriment of labour since the mid 1970s. At the same time, this text argues that PRT's concentration on working class power, and the indicators applied to measure it, provide a too narrow perspective as to capture adequately the relations of power in Argentina. Furthermore, social policy is not only determined by the relations of power between different actors, but also by the political behaviour of these. By combining a PRT approach with a broader perspective on power on the one hand, and institutionalist approaches on the other, this text seeks to deliver an encompassing explanation of welfare state adaptation failure in Argentina. More than most PRT studies, this text examines the active role of employers' power, and considers besides organizational and electoral also ideological power resources. 'Path-dependency theory' and other rather institutionalist approaches to welfare state development have argued that institutions and historical legacy have influence on the behaviour of the different social policy actors and interfere in the distribution of power resources between them. This text argues, that in Argentina they have done so in a way that proved highly unfavourable for the likelihood of welfare state adaptation. The once chosen social policy path and the formal and informal institutions of the Argentine political system weakened the political power of the would-be beneficiaries of welfare state adaptation and provided important incentives for politicians and trade union leaders not to promote reforms in this direction. These incentives also contributed to the lack of cooperation between the organisations of formal, informal and unemployed labour.

Kurzbeschreibung

Die vorliegende Fallstudie analysiert aus einer politikwissenschaftlichen Perspektive das Ausbleiben anpassender Sozialstaatsreformen im Rahmen tiefgreifender Veränderungen auf dem argentinischen Arbeitsmarkt seit der Aufgabe des Modells der Importsostituierenden Industrialisierung (ISI).

In den vergangenen Jahren ist eine wachsende Zahl politikwissenschaftlicher Studien entstanden, welche sich explizit mit sozialstaatsanpassenden Reformprozessen in post-industriellen Gesellschaften beschäftigen. Ausschlaggebend für diese Literatur ist die Erkenntnis, dass Post-Industrialisierungsprozesse in den meisten OECD Ländern zu entscheidenden Veränderungen bezüglich der von den Bevölkerungen erfahrenen sozialen Risiken führten. Der Großteil dieser Veränderungen stand in unmittelbarem Zusammenhang mit Entwicklungen auf dem Arbeitsmarkt. So zum Beispiel hat die Zahl der Langzeitarbeitslosen in den meisten Ländern zugenommen. Arbeitslebensläufe sind tendenziell unstetiger und prekäre Arbeitsverhältnisse häufiger geworden. Des Weiteren ist die Berufstätigkeit von Frauen deutlich gestiegen. Diese Entwicklungen erforderten in den meisten Fällen eine Anpassung des Sozialstaates, insofern dieser einen weiterhin auf die Bedürfnisse der Menschen abgestimmten Sozialschutz bieten sollte. Jedoch hat die Sozialpolitik in verschiedenen Ländern auf sehr unterschiedliche Weise, und in unterschiedlichem Umfang, auf diese Veränderungen reagiert. Vor diesem Hintergrund haben Politikwissenschaftler, sowie Sozialpolitikforscher anderer Disziplinen, die politischen Dynamiken der Prozesse der Sozialstaatsanpassung untersucht, mit dem Ziel landesspezifische Unterschiede zu erklären und wesentliche Einflussfaktoren zu identifizieren.

Bisher beschränkt sich die Literatur zu diesem Thema im Wesentlichen auf OECD Länder. Jedoch existieren auch abseits der OECD relativ entwickelte Sozialstaaten, welche in den letzten Jahrzehnten mit vergleichbaren Arbeitsmarktentwicklungen konfrontiert waren. Auf der Basis von empirischen Daten zeigt diese Fallstudie, dass Argentinien seit der Aufgabe der ISI Strategie Mitte der 1970er Jahre einen tiefgreifenden Wandel des Arbeitsmarktes erfuhr. Dieser Wandel umfasste eine starke Zunahme von Arbeitslosigkeit und prekären (bzw. informellen) Arbeitsverhältnissen, eine enorme Steigerung der Einkommensunterschiede, zunehmend unstetige Arbeitslebensläufe, sowie einen Anstieg der Erwerbstätigkeit von Frauen. Da der argentinische Sozialstaat stark auf einen größtenteils männlichen, von Vollbeschäftigung geprägten Arbeitsmarkt ausgerichtet war, stellten die genannten Arbeitsmarktveränderungen dessen Wirksamkeit in Frage. Mit Hilfe einer detaillierten Analyse disaggregierter

Sozialausgabendaten, sowie der sozialpolitischen Gesetzgebung zwischen 1975 und 2010, zeigt dieser Text, dass Argentinien einen extremen Fall von fehlender Sozialstaatsanpassung darstellt. Erstens, der Wandel, bzw. die Verschlechterung, des argentinischen Arbeitsmarktes war besonders tiefgreifend. Zweitens, der spezifische institutionelle Aufbau des argentinischen Sozialstaates Mitte der 1970er Jahre war außerordentlich ungeeignet um Schutz gegen die sozialen Folgen des Arbeitsmarktwandels zu bieten. Und drittens, die Sozialpolitik nach 1975 hat kaum auf diesen Wandel reagiert. Der dramatische Anstieg der Armutsrate von ca. 5 % in 1974 auf ein Maximum von ca. 50 % der Bevölkerung in 2002 zeigt, unter anderem, wie wenig der argentinische Sozialstaat in der Lage war die Bevölkerung gegen grundlegende soziale Risiken abzusichern.

Auf der Grundlage empirischer Daten bezüglich der argentinischen Sozial- und Wirtschaftsstruktur argumentiert dieser Text, dass die sozialpolitischen Interessen seit der Aufgabe des ISI Modells vorwiegend entlang sozialer Klassen auseinanderklafften. Im Unterschied zu eher pluralistischen Ansätzen, welche die Bedeutung verschiedenster und meist fragmentierter Interessengruppen - wie zum Beispiel den EmpfängerInnen verschiedener Sozialleistungen - betonen, argumentiert diese Studie, dass die Mehrheit der ArbeiterInnenklasse und der Armen in Argentinien relativ unabhängig vom jeweiligen Sozialprogramm von anpassenden Reformen profitiert hätte. Jedoch standen der für eine Anpassung des Sozialstaates notwendige höhere Grad gesellschaftlicher Umverteilung, sowie die potentiellen Arbeitsmarkteinflüsse solcher Sozialpolitik, im Gegensatz zu den Interessen von UnternehmerInnen, KapitaleignerInnen und SpitzenverdienerInnen. Im Einklang mit der sogenannten Machtressourcentheorie(MRT) argumentiert dieser Text, dass das Ausbleiben von Sozialstaatsanpassung langfristig im Kontext einer Machtverschiebung zu Gunsten der UnternehmerInnen und KapitaleignerInnen, und zum Nachteil der ArbeiterInnenklasse und der Armen, gesehen werden muss. Gleichzeitig zeigt diese Studie, dass die von der MRT meist angewandte Fokussierung auf die politische Kraft der ArbeiterInnenklasse, sowie die meist zu deren Messung verwendeten Indikatoren, eine zu enge Perspektive darstellen um die Machtverhältnisse in Argentinien angemessen zu erfassen. Des Weiteren wird Sozialpolitik nicht nur von den Kräfteverhältnissen zwischen verschiedenen AkteurInnen beeinflusst, sondern auch von deren politischem Verhalten. Mittels der Kombination eines MRT Ansatzes mit einer breiteren Perspektive auf politische Macht einerseits, und institutionalistischen Theorien andererseits, versucht dieser Text eine umfassende politische Erklärung für das Ausbleiben von Sozialstaatsanpassung in Argentinien zu geben. Mehr als MRT Studien dies herkömmlich tun, untersucht diese Arbeit auch die aktive Rolle der UnternehmerInnen und KapitaleignerInnen in

der Sozialpolitik, und bezieht neben organisatorischen und demokratischen auch ideologische Machtressourcen mit ein. Theorien über die sogenannte „Pfadabhängigkeit“, sowie andere institutionalistisch orientierte Ansätze zur Erklärung von Sozialpolitik, gehen davon aus, dass Institutionen und politisches Erbe sowohl Einfluss auf das Verhalten verschiedener sozialpolitischer AkteurInnen haben, sowie auf die Machtverteilung zwischen diesen. Diese Fallstudie argumentiert, dass in Argentinien beide Einflüsse ungünstige Voraussetzungen für die Wahrscheinlichkeit sozialstaatsanpassender Reformen darstellten. Der einst eingeschlagene sozialpolitische Weg, und die formellen und informellen Institutionen des argentinischen politischen Systems, schwächten die politischen Einflussmöglichkeiten der durch eine Sozialstaatsanpassung potentiell Begünstigten, und schufen starke Anreize für PolitikerInnen und GewerkschaftsführerInnen keine Reformen in diese Richtung zu verfolgen. Diese Anreize trugen des Weiteren zur fehlenden Zusammenarbeit zwischen den Organisationen formeller, informeller und arbeitsloser ArbeiterInnen bei.

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