

# 1 Building Democracy in an Emerging Society

## Challenges of the Welfare State in Brazil

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This chapter analyzes some topics related to the challenges of building democracy and social inclusion in Brazil, one of the most unequal societies in the world. The focus will be on the efforts of building up a welfare state (WS) in extremely adverse conditions.

Recently, Latin American countries had to face the challenges of improving social inclusion and economic redistribution, as well as consolidating democratic institutions. Facing the pressure for social inclusion was all the more difficult in Latin American countries because these were societies characterized by some of the worst income disparities in the world, high degrees of labor market informality, and the presence of powerful actors with vested interests in maintaining the old social protection system, which was stratified and exclusive. These stratified and centralized protection models, restricted to workers employed in the formal labor market, were reformed in the last quarter of the twentieth century, because they were seen as far from egalitarian and as actually reproducing social injustice. These reforms engendered new designs of social policies in a double movement of universalizing social coverage as well as targeting poverty and urban violence.

In addition to the challenge of increasing social inclusion and fighting poverty, the construction of new democratic and inclusive institutions had its takeoff in a context of macroeconomic adjustment aimed at combating hyperinflation, in which there was pressure from international agencies to downsize the state and reduce its power. Moreover, this new global pattern of productive, economic, and social development was characterized by Kim (2009: 18) as postindustrialization, postclassism, and postfamilism, indicating that in the last quarter of the twentieth century the basic conditions supporting the welfare state were eliminated, because economic growth was no longer based on manufactured production, social mobilization was disconnected from class struggle and organized labor, and the modern family has deviated from a male breadwinner model thus reflecting a new gender and age structure.

In the last two decades, Brazil has been trying to build a welfare system based on the principle of extending social rights to all citizens through

universal social policies, a principle that is enshrined in the social security concept of the Federal Constitution of 1988. The importance of studying the Brazilian experience lies not only in observing the path dependency impact of the former institutional social protection model but also in addressing the absence in Brazil of the most important requirements pointed out by the literature as necessary for the successful development of an egalitarian welfare system. This chapter reviews the WS literature and compares it to the Brazilian experience in order to highlight this discrepancy and analyze its effects on the emerging system. It contends that the statecraft of the institutional framework of social policies that occurred during the 1990s had to cope with dreadfully restrictive economic constraints. The analysis of the way the economic, cultural, and institutional constraints have affected the construction of the Brazilian welfare state (BWS) demonstrates how the absence of important requirements for WS development has led to a mixed and sometimes hidden institutional framework that enables the prevalence of private interests in public policy.

The reduction of poverty is an important outcome of recent social policies as well as of continuous increases in the minimum wage. Nonetheless, government has not prioritized the universal systems of health and education, which increases the stress and contradictions between the demands of the citizens and the state's capacity to provide both access and high-quality services. The precariousness of social inclusion, both in the market and in the community of citizens, generates demands for a comprehensive public sphere and new institutional arrangements of a deliberative democracy capable of generating conditions not only to guarantee social rights but also to lead to emancipation.

The European bias in the WS literature leads to an implicit conclusion that this experience cannot be replicated in other contexts, in which some of the presumed preconditions are absent. Even the maintenance of the WS in these original countries seems to be threatened by the profound changes in the economic and social pillars of the social democratic construct. This concern is based on the decline of labor-based societies and the replacement of social cohesion bonds by negative competitive individualism (Castel 1995). The reduction of the middle class and the growth of inequalities magnified the income gap between the extremes of the social scale. The difficulty of enforcing an equitable tax system in a predominantly financial economy and the pressure to prevent financial bankruptcy led to cuts in public expenditure, productive investments, and redistributive policies.

Beyond that, the importance of economic interests in social sectors is expanding, with powerful profit-seeking actors like pharmaceutical industries, insurance companies, and private service-providers now playing a dominant role in public policies by influencing their design and management as well as by shaping the consumption of social services. The analysis of the opportunities for building up social protection in a region such as Latin America is overdue, considering the enduring and pervasive high

levels of inequality extant there, in spite of the influence of the European social ideals in these countries' intellectual elite. The recent wave of democracy in Latin America put social protection and poverty reduction in the public agenda, notwithstanding the legacy of authoritarian regimes, the preponderance of the elite's vested interests in the public arena, and the dispute for scarce public resources in a context of economic crisis.

The global economic crisis is now narrowing the distance between developed welfare societies and laggard ones. Therefore, it is necessary to revisit European WS theories in order to establish a dialogue with experiences in adverse contexts.

### THE LIMITS OF WELFARE STATE THEORY TO EXPLAIN THE EXPERIENCE OF EMERGING SOCIETIES

Most studies on the WS derive their conclusions from comparing European experiences. This literature has pointed out some conditions associated with the emergence and consolidation of the WS. The starting point is considered to be the industrialization process (Rimlinger 1971), along with the emergence of social insecurity in a context of urbanization. The roots of the WS development are based, on one hand, on the fracture of the traditional communitarian bonds of solidarity and their displacement by class organization and new identities. On the other hand, they are embedded in the development of civil service and state administrative structures. In this sense, the WS was responsible for forging new bonds in complex societies and also for creating a new institutional pattern of redistributive conflict resolution, launching the basis for social cohesion and integration.

The WS and the competitive political party system are seen by Offe (1984) as the main institutions capable of promoting the coexistence of capitalism and democracy in its virtuous cycle. Contradictorily, at the end of this cycle of economic growth in a regulated market, both features were regarded as inflexible obstacles for renewing the capitalist economy. The convergence perspective is expressed by Wilensky's (1975: 27) conclusion that, in spite of ideological and political regimes, the WS is the most persistent structural tendency in the development of modern societies. In this manner, he associated the WS with economic development and the social modernization process.

Differently from this *nomothetic* (Takegawa 2009) perspective, other authors have highlighted the importance of path dependency in the process, stressing that demands for the emergence of social protection have received different responses according to the previous institutional, political, and economic environment. Flora and Alber (1981) identify the emergence of the universal model of social protection as dependent on the strength of a homogeneous working class in fighting for social rights, as well as on the capacity of each society to institutionalize this conflict through democratic procedures.

Starting with Titmuss's (1958) classical typology of social services, we can find a confluence of criteria encompassing both the relations between market and public sector and the degree of redistribution through social policies. His typology is based on the extension of social rights and on the double movement of expanding state structures and policies on one hand, and redistributing resources according to necessities on the other hand. According to Wincott (2011: 358), both Titmuss and Marshall were late converts to the use of the term 'welfare state', a name actually used by the critics of social policies in England. Marshall (1967) emphasizes the core role of citizenship status in the coexistence of an egalitarian political principle within a class-based economy. In his classic article on social classes and citizenship, he identified three kinds of rights as components of citizenship—civil, political, and social—each having its own path and institutional structure.

The WS is considered a new arrangement for consensus building and to convey conflicts to the redistributive arena, where they can have a negotiated solution. Different patterns of social protection were identified according to where the main aim of inclusion was centered: on the poor and other vulnerable groups, on labor fractions of the workforce, or on the citizens. The inclusion of social rights as part of the status of citizenship represented the most paradoxical solution for the distributive conflict in a class economy, because it had generated a public sphere not primarily subordinated to the process of accumulation, an anti-value mechanism according to Oliveira (1988). Esping-Andersen (1990) shed new light on social rights, which were reconceptualized in terms of their degree of 'de-commodification', meaning the capacity to take social reproduction away from merchandise circulation, producing a new, socially stratified blueprint. He also underlines the importance of institutionalization when he analyzes the consequences of the WS crisis at the end of the last century in three different regimes—the liberal welfare regime, the corporatist-state regime, and the social democratic regime. His analysis concludes that the political and institutional mechanisms of interest representation and consensus building, especially in the social democratic arrangement, have a strong impact on the preservation of employment and social rights (Esping-Andersen 1995: 77).

To summarize, according to the WS literature the development of the WS has been associated with an array of elements related to the progress of the capitalist economy, as well as with the transformation of societies as a consequence of urbanization and industrialization processes that imposed a new division of labor and led to more complex social relationships. The WS is also part of the state-building process, and this expansion is a component of the democratization of power and wealth in a mass society, with the emergence of new collective actors and political organizations. Nonetheless, it contributed to the creation of a more cohesive society, based on social principles of solidarity, in which social inclusion was widespread. However, during the crisis of the capitalist economy that started in the

1970s, the institutional mechanisms of social protection were accused of impeding the renovation of the productive relations in order to increase competition and productivity. Lately, the loss of affiliation links was pointed out as being responsible for the crisis of sociability, the rise of insecurity, the sprout of negative individualism, and the replacement of policies of inclusion by policies of labor-market insertion—also called active inclusion or workfare regime (Castel 1995).

Recent studies on the WS in developing societies have pointed out the incapacity of established theories to explain the efforts to build up social protection in different contexts in developing societies. To rethink social policy in developing countries, Wood and Gough (2008: 313) suggested that Esping-Andersen's original typology of welfare state regimes must be seen according to the degree of in/security and in/formality of rights and correlatives duties in each society. To this effect they added two mixed variants to the previous scheme: the liberal-informal WS regimes in Latin America and the productivist WS in Asia, stressing the informality of benefits and programs in the first case and the role of employers in the second.

Regardless of recent efforts to conceptualize and understand what is happening beyond Europe, the interpretation of the Asian late-coming WS is criticized for being unable to include some important variables such as the influence of international circumstances on these countries (Takegawa 2009: 81). Takegawa hypothesizes that whereas domestic factors determine the time of the takeoff, international circumstances govern the development of the WS. The takeoff of the WS in Japan in the mid-1970s was embedded in the liberalism, because it occurred during the crisis of the traditional WS. These constraints led to a relatively low level of public social expenditure, what Takegawa (2009: 89) called *universalism rationing*, that is, the simultaneous adoption of pro-welfare and anti-burden policies. The result was the mixed Japanese system, involving families and enterprises in social protection. However, this productivist model was not a consequence of Confucianism. Instead, this mix is the product of expanding welfare protection with low public social expenditure and strong state intervention in the economy.

Kim (2009) also denies the application of the concept of hybrid welfare to explain the South Korean reform, because this kind of label is based on value judgments about welfare states' leaders or laggards, instead of trying to understand the peculiar dynamics of each reform. In South Korea a peculiar process of controlling and restructuring of the WS occurred simultaneously with its formation. This process of going backward and forward in the universal WS project can be understood only if one combines the need for social inclusion after the fall of the military regimes along with the specific governmental ideologies in a context of economic constraints.

Although the process of Latin American WS building is older than many others in Europe, it has similarities with the Asian cases, because the international economic context had the same effect of constraining the expansion of

social expenditures, creating an obstacle to the promotion of social inclusion in the new democratic regimes. On the other hand, the former institutional framework for corporative, stratified, and segmented protection gave rise to a community policy with strong veto power over the reforms of these systems as well as the existence of a market for the provision of social services. The incapacity of weakened nation-states to build consensus regarding the reform guidelines and to regulate the market were some of the regional challenges. Barrientos (2008) characterized the changing WS in Latin American during the 1990s as a conversion of the conservative-informal welfare regime into a liberal-informal regime. He labeled the previous Latin American regime as conservative-informal to identify the stratified nature of social protection, and concluded that currently there is a change in this pattern towards a liberal-informal welfare regime as a consequence of market deregulation. The new regime is also characterized as informal because the replacement of collective insurance for individual savings and free-market provision of services did not extend formal rights to social protection for those employed in the informal labor market. Nevertheless, the category liberal-informal is unable to differentiate among the reforms that occurred in the last quarter of the twentieth century; therefore it is not a useful tool for explaining variations in the WS in this region.

Although the reforms occurred in a period of prevalence of liberal ideology and economic adjustment, there were differentiated institutional solutions for the national explosion of social demands for inclusion. The strong global trend towards state contraction and liberalization of labor protection obscures the originality of the regional reforms as well as the plurality of WS reforms in the region.

In order to account for this plurality and originality, it is useful to review the literature on WS building in the region and also on the models of reforms after the 1980s. The leading comparative study on social policy development in Latin America was made by Mesa-Lago (1978). Comparing the development of the retirement and pension systems, he adopts the timing of social policies' takeoff as the main explanatory factor that permits grouping the countries in the region. Accordingly, he categorizes them as pioneers, intermediate countries, or delayed countries. The timing is taken as a path dependence assumption for differences in benefit institutionalization and population coverage. His most important contribution was to outline stratification as the common mark of the Latin American model of social protection, being present in all the three types. As a consequence, even the oldest and more inclusive systems still keep different conditions of access and benefits, according to the bargaining power of each group covered.

Filgueira and Filgueira (2002) compared several countries, combining the amount of public social expenditure with the results expressed in social data, and reaffirmed Mesa-Lago's conclusion on the Latin American pattern of social benefits stratification. In addition, they stressed the combination of this stratified inclusion of formal workers with different degrees of social exclusion. This result cannot be explained solely by the economic

development of the country or through the maturation of the systems. Instead, it seems to be mostly dependent on political options. They found, until the 1970s, three different groups of welfare benefits distribution: a group of stratified universalism (Argentina, Chile, and Uruguay with high public expenditure and almost universal stratified coverage), a group of dual system (Brazil and Mexico, with high public expenditure and low coverage), and a big group of systemic exclusion (where most of the population was not encompassed). The Brazilian case is emblematic of how one of the pioneer countries in social protection can continue to present a high degree of social exclusion, in spite of the economic development or the social expenditure level, during the period considered in this study, from the beginning of the twentieth century up to the 1970s.

Analyzing the proliferation of social reforms in the region after the 1970s, Fleury (2001) observed that the fragile institutionalization of social rights and the explosion of massive urban demands were responsible for transforming the region into a social laboratory, where many different projects were designed and implemented. These reform efforts—in health care and in social security systems—have been part of the changing context brought about by the democratization of the region's political systems, the updating of its economic productive models, and the redesigning of the state's role. All of these have served as means to address the fiscal crisis and create the necessary conditions for positioning the regional economies more advantageously in the integrated and competitive global market.

In this context, there has been a change in the political structure around social protection policies with traditional powerful actors like bureaucrats and trade unions losing control over the stratified social security system. A new political arena was formed as a consequence of the introduction of market mechanisms in social policies as well as social movements' demands, generating a complex web of relations among financiers and providers, public and private actors.

As a result of this changing process, Fleury (2001) identified some paradigmatic reform models in the region, drawing special attention to the political coalition that supported the reform project, as well as the relationships among public and private agencies. The first type is the *market-oriented reform*, based on the Chilean experience. Its design generated a dual model of health care and pensions systems, with the segregation of the poor in the public sector and the affiliation of those who can afford it in a flourishing insurance market. The new social market was created by compulsory public policies, not a result of voluntary individual or corporative affiliations. Different from the traditional Bismarckian social insurance corporatist model, this structural reform inaugurated a typically market-oriented model, based in the purchasing power of the consumer, with the individualization of risks and the total absence of solidarity bonds among the beneficiaries.

The second type is the Colombian reform, based on the same market competition principle, although trying to reduce the inequalities of the Chilean experience by introducing some mechanisms of solidarity and state control

of the per capita cost of benefits, in order to counterbalance the tendency to exclude some disadvantageous groups. They opted for a *competitive insurance system* with the participation of both private and public resources, thus forming a pluralistic model based on managed competition regulated by the state. This model places the insurance market at the core of the social policies' systems. A package of benefits is guaranteed either by the individual's own contribution or through the collective contribution to a solidarity fund. In the last case, the package of benefits is less generous than in the first, and the inclusion of the poor depends on the amount of resources available yearly. The complex network of public and private interests with diverging logics was unable to overcome the constraints of this design, which is based on limited salary contributions and on a savings-oriented logic inherent to the profit-seeking insurance companies. The influence of private interests had many undesirable effects on hospital and primary health care.

The third model was based on the Brazilian experience of creating a public universal system of integral social benefits in charge of assuring social rights through a more democratic, equitable, decentralized, and participatory system of social policies. This protectionist model was inspired by the social democratic experiences, although it innovated by means of a set of participatory mechanisms. Nevertheless, this public system was, from the beginning, highly dependent on private facilities because the dictatorship had already privatized the public health services. The Brazilian experience clearly denies the possibility of lumping the Latin American reforms in the same basket of liberal WS in the region, because it follows a social democratic model. Besides their differences, they faced similar challenges to build a universal WS, regarding the scarcity of resources for funding social systems and the existence of strong disparities among municipalities (Trydegarard and Thorslund 2010).

The three different social policy reform designs in Latin America can be named, respectively, as dual, plural, or universal (Fleury 2001), according to their proposals, contents, instruments, public-private relations, and supportive coalitions. A crucial variable to explain these different options is the timing of the reform with respect to two main macro processes: the economic crisis with the ensuing macrostructural adjustment, and the transition to democracy and the outburst of a new political fabric filled with social demands. It explains the prevalent values and principles as well as the material possibilities of each paradigmatic reform.

## BRAZIL'S TRAJECTORY OF SOCIAL PROTECTION

All Latin American societies are assuming a new profile, with a more pluralistic and comprehensive system of social protection, with different arrangements of public and private facilities and functions. As a result, although the coverage is increasing in the region, there are many different conditions



to access benefits. Whereas the benefits were determined by the purchasing power of each group, the result is to enhance social segmentation, even with the emphasis on public policies to target the poor. Instead, the universal social rights system could be an instrument to build a more cohesive society and expand citizenship status in order to overcome the traditional stratification and social exclusion. The condition here is the guarantee of access and quality for all.

The singularity of the Brazilian case, in which the design of a universal system took the opposite direction of the general trend of liberalism, can be explained only based on the close connection established between this project and the democratization process, in a context of high social mobilization and low perception of the economic constraints. In the mid-1970s the struggle for the democratization of policies takes on new characteristics and strategies. Whereas before it was confined to universities, clandestine parties, and social movements, from then on it begins to be located at the center of the state itself, with a strong push towards reforms. Rescuing the so-called social debt of redistribution and recognition became the central theme of the democratic agenda, gathering social movements of diverse natures. This process was intensified in the 1980s with the rise of a rich social fabric based on the union of the new syndicalism and the social rural and urban movements (mostly supported by the progressive wing of the Catholic Church), as well as on the emergence of leftist parties. In the fight for the BWS, one of the most distinguished actors was the Sanitary Movement, a coalition of political actors that was capable of formulating a consistent project for the new health care system. This same design was further applied to all social policies.

The new social protection design was rooted in a strategy to struggle against the dictatorship regime by democratic means, adopted by the leftist social movements in Brazil, mostly influenced by the Communist Party—which had strong presence among the intellectual elite up to the 1970s—and Catholic popular organizations.

Beyond that, the leftist movement was influenced by the concept of hegemony in Gramsci's works, and the goal of achieving hegemony in a complex civil society oriented the political movement to organize the society around some comprehensive flags. Further, Poulantzas's ideas on the importance of the political fight inside the state apparatus also influenced the movement and refreshed the Marxist conception of class struggle, leading the leftist groups to give priority to achieving strategic positions, in a piecemeal reforming process.

Differently from other left-wing parties and movements in Latin America, it must be recognized that the Brazilian opposition opted to take the risks inherent to this reformist strategy. By assuming important positions in governments of wide political coalitions, the leftist movements endorsed participation in the reform process despite the risk of either being co-opted by the political elites or legitimating an unsuccessful transformation.

During the last two decades, Brazil has been building a WS based on the principle of extending social rights to all citizens through universal social policies—a principle that is enshrined in the social security concept of the Federal Constitution of 1988. The struggle for a new comprehensive social protection model had an original component of social mobilization in favor of expanding social rights as part of the transition to democracy. The singularity of having a social policy project designed by social movements and its strong association with the transformation of the state and society into a democracy added some important characteristics to the BWS. The outstanding features are the combination of a highly decentralized system with a decision-making process that incorporates the federative system and organized society in participatory arenas. The existence of political spheres for negotiation and instruments for consensus building were important innovations in the intergovernmental relationships and in the relationship between the state and social actors.

Given the fragility of the political party system, social movements assumed the task of projecting new policies and public structures, under the flag of universal citizens' rights. In a society that is marked by profound inequality, the defense of equalitarian policies represented a counterhegemonic banner for the democratic project.

Given the previous experience of expressive economic growth, which did not lead to redistribution, it became clear that state-driven economic development was insufficient to assure public interests. Thus civil society organizations prioritized the construction of a democratic and inclusive nation in their commitment to transform existing public policies. All this democratic effervescence was channeled to the National Constituent Assembly, whose works began in 1987. The Federal Constitution of 1988 represented a profound transformation of Brazil's social protection model, legally consolidating the social rights in response to the pressures that had already been felt over a decade. A new period was inaugurated, in which the model of social security started to structure the organization and format of BWS towards a universal citizenship.

The Constitution of 1988 advanced in comparison to the previous legal formulations by guaranteeing a set of social rights, expressed in the innovative Social Order Chapter, which includes education, environment, culture, sports, minorities, communication, science and technology, and the social security structure. This social security arrangement was recognized as the core of the BWS. It was defined as "an integrated set of initiatives by the public power and the society, destined to ensure rights related to health, social insurance and social assistance" (Title VIII, Chapter II, Section I, art. 194). Therefore, the inclusion of social insurance, health care, and social assistance as parts of social security introduces the notion of universal social rights as an integral part of citizenship.

This new arrangement innovated in separating, for the first time, the social order from the economic one, which gives to the former the same status and

priorities usually given to the economic field. The primacy given to social rights became evident with this autonomy and with the creation of specific contributions for funding social policies. As a block grant they constitute a unique social security budget, created apart from the fiscal national budget. These resources would be managed by the Social Security Council, integrated by the three ministries and representatives of the users.

The new constitutional social policy model is characterized by the *universality* of coverage, the recognition of *social rights*, under the guarantee and *duty of the state*, and the subordination of the private sector to regulation based on the *public relevance of actions and services* in these areas. The new public arrangement is a *decentralized public network cooperatively managed by participatory mechanisms*.

The originality of the Brazilian social security lies in its strong state reform component, in redrawing the relationships between the three levels of government and creating arenas for consensus building. The reshaped federalism addresses the main responsibility in the delivery of social policies to the local authority. The organization of the social protection systems should adopt the format of a decentralized, integrated network, with a single political command and a unique fund in each sphere of government, regionalized in a hierarchical arrangement. Moreover, it also created deliberative arenas, with equal participation of civil society and government representatives in each sphere of administration.

Although the stimulus for decentralizing was top-down, it provided a common guideline to public policy and to strength local governance by increasing administrative skills, as a condition for the acquisition of more resources and management autonomy. Furthermore, the design of the decentralization process included original elements, namely the existence of a participatory mechanism in each administrative level. In this sense it required a twofold movement, from the central administrative level to the local levels and from the state to the society. The intersection of these two lines gives place to a new model of local governance, with the existence of important mechanisms of consensus building, social control, and policy formation.

The main mechanism for decision making and consensus building among the three levels of government with concurrent competences concerning social policies is the Tri-Partite or Bi-Partite Commissions, encompassing, respectively, three or two governmental levels. This innovation has been considered a major advance in the country's federalist design, because it was an effective channel to deal with the inherent conflicts during the negotiation of policies, as well as the establishment of norms and parameters for resource allocation.

There are two participatory mechanisms that include both governmental authorities and the population: Councils and Conferences. The Councils exist in each level of the system and are mechanisms of social control, defining policy priorities, in charge of surveillance and budget approval,

and evaluating executive proposals and performance. The Conferences, on the other hand, are called periodically to discuss agendas and convey different interests to a common platform, and in this way represent the main mechanism to form public values. Many experts discuss whether the Councils effectively have capacity to control the government, and the conclusion is less clear-cut than one might desire, due to the great diversity inside the country and the unequal distribution of resources among the participants. But studies proved that participation in the Councils is a resource to insert the councilor in important power networks and also an arena to challenge the control of organized groups, like political parties and union members (Côrtes 2009).

In spite of the limitations discussed above, the participatory mechanisms described have without doubt made an important democratic contribution and promoted the enlargement of the public sphere, restricting the traditional elite. The construction of dialogic mechanisms generates the recognition of popular actors and demands, and might permit a renovation of the political elites, with the incorporation of new members. The development of the WS was related to the changes from a liberal capitalism to a neo-corporatist form of relations among collective actors under state regulation. The differentiating factor of late-developing societies like Brazil is the composition of the civil society, where few trade unions share the participatory space with social movements and other civic organizations. Besides the heterogeneous composition of civil society, another peculiarity is related to the introduction of mechanisms of participatory democracy. Whereas in a traditional political conception participation is limited to the electoral process and redistributive policies, in the Brazilian case a great emphasis is given to the construction of comanagement instances, where state and society contribute to the policy-making process and implement mechanisms of social control. Although this still falls short of a deliberative democracy in which the collectively made decisions are mandatory upon the government, there is nevertheless an empowering process in progress as part of this statecraft blueprint.

## FROM RHETORIC TO REALITY

During the 1990s Brazil experienced a hard period of economic crisis with hyperinflation and a great amount of foreign and internal debt accumulation, having to launch many different policies and instruments to cope with this situation that started to succeed only after the middle of the decade. Pressures from IMF to cut public expenditure, privatize public services, and downsize the state were strongly felt. At the same time, the government had to deal with social pressure to implement the transformations requested in the constitutional frame. In other words, there were two concurrent movements going in opposite directions: one expressed by the macroeconomic

adjustment measures and the other by demands for assuring social rights and institutionalizing the WS. The following analysis will focus on this contradictory process of building a comprehensive and universal system under such adverse economic conditions, taking into consideration other adverse cultural and organizational factors that reduce the possibilities to achieve the equalitarian principle of citizenship.

### **Economic Constraints**

One of the basic assumptions underlying the development of the WS in European countries is the synergetic influence of economic growth and social inclusion achieved through redistributive policies. The Keynesian model implies a strong presence of public policies in order to balance supply and demand in an affluent economic cycle. In the absence of economic growth to handle the bulk of the social demands, Brazil had to develop an institutional framework for social protection during the crisis of the 1990s. In this decade, the economic situation of the country moved from a turbulent scenario of high inflation and elevated debt to another one where the measures adopted to control inflation, such as the maintenance of mammoth interest rates continued increasing the fiscal debt. Without sustainable economic growth and the inability to count on public investments, unemployment in metropolitan areas doubled during 1995–2003, and informality reached more than 45 percent of the working force (IPEA 2005).

The consequences of this poor economic performance were immediately felt in the social insurance coverage, which decreased from 66.6 percent of the working force in 1992 to 61.7 percent in 2002, and increased again from this year onward, reaching 65.9 percent in 2008 (Schwarzer 2009:75). Only in the five last years (2005–10) did the labor market grow sufficiently to achieve the lowest unemployment rate in many decades, about 6 percent per year.

From the literature on WS, one can draw another requirement for building a redistributive policy—the existence of a fair and progressive tax system. So far, in the Brazilian case, all governments failed to promote a major tax reform, only revamping the old system, which overburdened the poor. The result is that whereas the poorest parcels of the population—encompassing families that earn up to two minimum wages—spend 48.8 percent of their revenue with taxes, those families that receive more than 30 minimum wages spend only 26.3 percent with taxes (IPEA 2009). In 2008 the total burden of taxation rose to 36.2 percent of the GDP and continues to expand, mostly due to the increase in taxation upon consumption, representing 59 percent of the total collected in 2007 (Salvador 2008), instead of mostly on revenue and wealth. This problem is pointed out by an OECD publication (2011) affirming that after the tax and transferences, the European inequalities are reduced by 19 points in the Gini index, whereas in Latin America they are reduced by only two points, because the tax system is highly regressive.

The government's possibilities to invest in infrastructure and social services were restricted by the mandatory production of primary surplus in order to balance a currency jeopardized by the huge public internal debt. Between 2003 and 2010 the public debt increased two and a half times, in spite of the effort to convey funds to the payment of the debt services. For the national budget for 2010, whereas 44.93 percent of the resources were assigned to pay the debt services and 22.12 percent for pensions, only 3.91 percent were consigned for health and 2.74 percent for social assistance (<http://www.auditoria-cidada.org.br>, February 2011).

### Political Priorities

These economic constraints strongly affect the implementation of the WS in terms of its capacity of funding and financing. As a result, the deterioration of public services and professional carriers impedes universal access with quality. The coverage expansion through the universal systems of health care and primary education was not followed by the necessary resources, as expressed by the public social expenditure, impeding either the expansion of the network facilities or the improvement in the quality of the services.

Although from 1995 to 2005 the federal social expenditure rose 74 percent, the increase is unequally distributed among the different social policy areas. Whereas social insurance expenditure grew from 44 percent to 51 percent and social assistance had an increase of 1 percent to 6 percent, federal health expenditure diminished from 16 percent to 11 percent and education expenditure was reduced from 8 percent to 6 percent (Castro 2009: 111). This data reveals that the universal policies of health care and basic education have not been prioritized by governments in recent years. Poverty reduction and social insurance were the main priorities. On one hand, poverty alleviation was adopted as the foremost priority of the governments, what led to a redistribution of public resources. On the other hand, the contractual character of social insurance implied an increased volume of expenditures with pensions. Because most of these benefits are linked to previous contributions, this social policy tends to reproduce market inequalities. To provide poor people with better qualifications, other important policies were launched, such as quotas and special credit for poor students to enter into the universities, as well as measures to formalize microbusiness and to assure microcredit to the poor. They were responsible for expanding the national market and certainly will have an impact on the development of the new middle class.

Whereas the social security (SS) paradigm of universal social rights was supported by social movements, it was not considered as priority by the democratic governments. Financial restriction combined with the absence of governmental priority undermined the constitutional precept that defined SS as an integrated set of initiatives concerning the assurance of social rights related to health, social insurance, and social assistance. To guarantee this

arrangement the Constitution mandates the creation of the SS Budget managed by the SS Council. From the beginning, these two mechanisms of planning and integrating policies did not work properly. The budget became only a formal accounting instrument instead of a common integrated plan of resource allocation. Moreover, the government introduced a mechanism to retain 20 percent of the SS resources to assure the payment of the public debt. The National SS Council was dissolved in 1999, after some years of ineffective coordination and integration of the three sectors.

The SS legal framework was unable to cope with the different institutional trajectory of the three areas, clearly path-dependent on their previous history, formal legacy, and clientele. According to Sposati (2009: 176), public policies for pensions, health, and assistance differ in many aspects, including the following criteria: inclusion; the nature of the rights—labor, social, and human; market and philanthropy participation; public management experience; and the previous degree of institutionalization. One can also add the important difference of social coalitions formed around each political arena with differential capacities to veto or to launch new policies.

### Rights without Benefits

The institutional fragmentation inside SS had harmful consequences. The abandonment of the integration of the three policy branches compromises other constitutional principles, such as integral care and universalism. An example of how social policies were left unfulfilled was revealed following the governmental efforts to transfer cash to target people who then used this benefit to acquire goods and services that should be part of their social rights, such as medicine (Lobato 2007).

The existence of distributive conflicts among the SS sectors and the relative incapacity of coordinating policies had a strong impact on the statecraft of the Unified Health System (*Sistema Único de Saúde* [SUS]). The health care facilities originally exclusively reserved for the social insurance clientele were merged with the public services from the Health Ministry in order to create the unified and universal health care system. Nevertheless, the resources to fund them did not come along. As a consequence, the Health Ministry went bankrupt in 1993 (Santos 2008) and could not invest to improve and amplify the services' network. A tax on financial transactions (CPMF [Contribuição Provisória sobre Movimentações Financeiras]) was implemented to fund the health sector. However, because it was not earmarked, only one-third of the resources were assigned to health whereas the government used the bulk for other expenses, until this tax was extinguished in 2009.

Since the year 2000 a new constitutional amendment (EC. 29) defines the responsibilities of each level of government to fund the health care system, but this law was only recently specifically regulated, in December 2011. During this decade the relative participation of national government

in funding the health system decreased, whereas states' governments disguised their mandatory contribution within other expenses, not proper to health care. As a consequence, the financial burden was shifted to the local authorities in charge of health care provision. The main evidence of this financial restriction is that although the Brazilian expenses with health care represent more than 8.5 percent of the GNP, almost 60 percent of this amount is private expense, which is not compatible with the international parameters for a universal public system.

The proposal of a public national health system was the most radical *decommodification* project in the design of democratic Brazilian social policies. With a public expense of only 3.5 percent of GNP, the public health sector is nevertheless responsible for the preventive care and surveillance for all inhabitants and delivers services for over 70 percent of the population (reaching 90 percent in the poorest regions). The whole population was given the right to the public health sector, despite the extremely difficult financial situation. However, problems of access and low quality in public services reinforce the existing inequalities between elites and poor people, in terms of capacities and status, undermining the goal of universal citizenship.

This situation has led the middle class to escape from the public system by contracting private insurances mostly through corporation benefits. Although the coverage of the business insurance does not go beyond 30 percent of the population, pressure groups, like trade unions, push towards this market solution, and new popular plans were recently launched to attend to the demand of the lower middle class. The national government itself provides access to private insurance for civil servants and subsidizes the middle class by considering expenses with private pensions and health insurances as tax deductible. All these policies strengthen the private health care market and contribute to debilitating the public sector. Moreover, the public sector also subsidizes the private insurance companies because their beneficiaries have access in the public services to complex procedures not covered by their plans. By contrast, poor patients have to commute from one public service facility to the other in order to have access, thus revealing the gap between rights and benefits.

### **Benefits without Rights**

There is no doubt that the most impressive impact of the social policies' designs after the Constitution of 1988 was integrating social assistance into citizenship status. Similar to the health system, an institutional system for social assistance policies was created, based on the same principles of assuring social rights through a public national network with different and articulated levels of government. This turning point in the social assistance policy was not followed by a straightforward institutional process. Initially, there was a clear governmental refusal to implement this constitutional mandate and to create the SUAS (Sistema Único de Assistência Social [Unified Social



Assistance System)) in the same participatory and decentralized form as the health system. Only after strong pressure from civil society and professional organizations did the government pass the social assistance law in 1993 (LOAS [Lei Orgânica da Assistência Social]), the first step in the institutionalization process. But from 2000 onward the public agenda concerning social assistance has diverged from guaranteed citizen rights within the Constitution to a targeted model to fight poverty. From then on, the country had two branches of social assistance policies, constitutional and targeted.

The constitutional model is characterized by the creation of a special regime for noncontributive pensions encompassing benefits for all rural workers, the urban impoverished elderly, and handicapped people. In this last case pensions depend on a means test and come from the Continuous Cash Benefits (BPC [Benefício de Prestação de Continuada]) program. The targeted model's main feature is the Family Grant Program (Bolsa Família [BF]), which offers conditional cash transfer to the poorest families. For Lobato et al (2009: 722) the permanence of these hybrids jeopardizes the fairness of the citizenship model proposed in the 1988 Constitution. Whereas the Continuous Cash Benefits program is a legal right, the Family Grant is a discretionary benefit and the conditions of access and the value of the benefits vary greatly. Although the access to the Continuous Cash Benefits program is much more restricted than in the Family Grant,<sup>1</sup> the pensions legally guaranteed by the Continuous Cash Benefits program are linked to the national minimum wage and are three times the average value of the Family Grant benefit. On the other hand, whereas BPC covers 3.8 million people, Family Grant reaches over 12 million, although the Census of 2010 pointed out that one out of four rural residents is still living in indigence. The existence of conditional requirements for cash transfer in the Family Grant Program, besides the means proof, as well as the absence of a legal status for the beneficiaries widened the gap between the two main welfare benefits. Although the management of the program is based on technical criteria, the absence of formal rights to welfare benefits is considered as an open space for clientelism (Wood and Gough 2008: 321).

Brazil has a high coverage level for elderly people (81.7 percent), thanks to the efforts to include them in noncontributive benefits. Because there was a sustained policy of increasing the minimum wage in the last decade, significant income redistribution resulted. Nonetheless, the existence of about 34.1 percent of workers not covered by social insurance represents an important challenge to the objective of a universal WS (Schwarzer 2009: 73).

Nonetheless, the impact of social protection on poverty reduction is one of the most outstanding results of social policies. Associated with the economic growth and the recovery of the minimum wage's purchase power, social policies are restratifying the Brazilian society. These recent phenomena have provoked the enlargement of the middle class with the upward mobility of millions of families from the lowest stratum to the middle class (Neri 2010).

The synergetic combination of distributive policies and economic growth has a stupendous effect on income distribution, and the consolidation of a middle class is not only a product of democracy but a central requirement for its sustainability. The expansion of the national market through the enlargement of the middle class was one of the powerful assets that allowed Brazil to cope with the economic crisis. Nevertheless, guarantying good quality of services in the education and health sectors for the emergent class into the universal systems of social protection is the new challenge. Institutionalizing democracy and expanding possibilities to a sustainable economic growth depends on the capacity to build new skills and to assure citizens' rights, reducing inequalities.

## CONCLUDING REMARKS

Based on the Brazilian experience, Fleury (2009) argued that different components of the democratic consolidation process have distinct paces despite being part of the same movement. This may lead to synergies and complementarities, but also tensions. The analysis of the reforming process was based on the identification of three inherent components and their dynamics: the process of *subjectivation*, through the construction of political subjects, social actors, and their political coalitions; the process of *constitutionalization*, through which social rights gained their legal framework; and the *institutionalization* of social policies via implementation of the correspondent structures and mechanisms for accomplishing the functions of financing, provision, regulation, and system modulation.

The context were the processes of subjectivation and constitutionalization that occurred that differed from the economic constraints that occurred during the institutionalization of the WS, justifying the inobservance of constitutional prescriptions specifically related to the resources assigned to social security policies. Beyond that, the legacy of a former corporatist social protection model enabled the maintenance of social insurance as the dominant policy, reserving the bulk of the funds for the less egalitarian policy. The different legacies of the three social security branches in terms of knowledge and capacities, degree of institutionalization, political supporters, governmental priorities, and relations with the private sector were influencing factors of the path followed by them. Another important issue is the political presence and strength of social movements in the defense of social rights.

The advances in the institutionalization of the constitutional model could be observed in several aspects of the three policies, as the introduction of noncontributive pensions for rural workers, cash-transferring programs to fight poverty, and the expansion of the health system in small municipalities. The most meaningful transformations were in the state structure, with the introduction of new instruments of the federalist organization associated with mechanisms of social control and participation.

The restrictions placed on the full institutionalization of the constitutional guidelines open up space for the progressive introduction of other interests and structures in the original design, reshaping the WS proposal in practical terms. This did not result in a pure productivist model, because there was not a structural change in the constitutional model that afforded universal rights. However, governmental priorities gave rise to a hybrid design in social assistance, in which cash transfer programs and legal benefits coexist with differences in access and rights. Regarding the health sector, the strength of the movement in favor of the universal system was strong enough to avoid pressures to privatize it, as occurred in many countries of the region, but was unable to avoid the surfacing of hidden mechanisms that progressively introduced new flows of resources, patients, and doctors between the public and the private sectors. Instead of a rupture with the constitutional SS design, changes were implemented via piecemeal transformation giving rise to a mixed system combining universal social rights with a flourishing market of privately provided health goods and services, in which the public and the private are linked through hidden mechanisms and association.

As a result, we can find dual anomalies in the BWS: rights without benefits (in case of nonaccess) and benefits without rights (in conditioned cash transfer). This occurs despite the positive outcomes from the socially targeted policies such as the current trend of upward mobility. This phenomenon is also the consequence of the recent period of economic growth and the priority given to the fight against poverty in the governmental agenda. However, the growing inclusion of the poorest populations in the market is not enough to return to the constitutional model. To do so would require promoting their inclusion in the public sphere by assuring them full citizenship status and the skills to insert them in the labor market under better conditions. Without the social and political inclusion through social rights and redistributive policies that are capable of assuring better living conditions for the population, it will be impossible to reduce urban violence and other symptoms like low cohesion in Brazilian society.

The quality of the public universal social protections system of health care and education will be the next challenge for BWS consolidation. But it will require a big change in the governmental priorities, assigning financial resources and implementing performance-oriented management in order to achieve better-quality standards and effective access in social services. Whereas the government insists in considering social policies narrowly as social expenses, this change is far from being implemented. Social investments are essential to improve productivity, develop new technologies, and reduce the national dependence on monopolized foreign imports. Beyond this, they mobilize a mass of skilled workers, with great diffusion and leadership in their communities. Last, but not least, it is necessary to change the dominant elitist culture, because it tends to perpetuate injustices and discriminations as common forms of treatment of minorities and poor people, thus reproducing differential access and quality of public goods

consumption. These micro politics act as a counter-right in practical terms. The fight against social injustices requires a permanent process of political mobilization to face the challenge of transforming the rights-in-principle into rights-in-practice (Foweraker and Landman 1997:19).

## NOTES

1. Twenty-five percent of the minimum wage per capita income for the BF and 50 percent for BPC.

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