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Notes and explanation of symbols

The following symbols are used in tables in the *Review*:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

Reference to "tons" mean metric tons, and to "dollars", United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables do not necessarily add up to corresponding totals, because of rounding.

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An overview of social development in Brazil

Sonia Miriam Draibe*

This paper analyses the structural characteristics and dynamics of social policies in Brazil. Once the Brazilian model of the Welfare State was consolidated under the authoritarian régime in the 1960s and 1970s, its meritocratic-individualist features became more acute, owing to the socio-economic base of poverty and social exclusion on which it rested. In dynamic terms, this model eventually was reproduced according to some clearly defined principles: extreme political and financial centralization; pronounced institutional fragmentation; lack of user participation in the basic decision-making processes; self-financing of social investment; privatization of the public sphere of resources and decision-making; and the clientelist use of the social apparatus. These principles of reproduction partially explain the system's current degree of social exclusion, as well as its increasingly social-assistance bias.

The perspectives of social protection in Brazil will depend on how the economic development/social equity equation evolves. An increase in wages is a premise of the rupture of the vicious circle that makes even wage-earners into social-assistance clients. Moreover, State management must be reformed if it is not to become an additional factor of disintegration.

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Introduction¹

With just one exception,² Brazilian social policy has not been examined, as a whole, from the analytical perspective of the Welfare State. The notions of the "Welfare State" or the "Benefactor State" seem to be quite remote from both Brazil's reality and its scientific-academic traditions in the areas of *social policy* or *public analysis*. Even in semantic terms, these expressions have no translation, so that the current designation for the State's social intervention is given in the plural — "social policies" —, and reference is made to sectors: social-security policy, health policy, education policy and so on. Studies that have attempted to handle the entire set of State social policies by using more consistent categories, such as "intervention profile", "model", or "Brazil's social-security system"³ have been few and very recent, which is in itself an indicator of the reluctance to approach this matter from the classic perspective.

Furthermore, there is no unanimity among scholars and authorities as to the definition of the areas that constitute social policy. It seems that there is no doubt about such sectors as social security, social assistance, health and education. Nevertheless, the inclusion of housing, sanitation or mass-transit policies arouses certain doubts, which are magnified when wages and employment policies are concerned, for they are considered to be exclusively economic policy. Finally, the use of the concept of social security is very new in the country, a concept intended to mean more than the limited concepts of social insurance and encompass a positive and broad

¹This is a summary version of the paper presented at the seminar on "Social Development Options for the Nineties", organized jointly by the Economic Commission for Latin America and the Caribbean (ECLAC) and the Latin American Faculty of Social Sciences (FLACSO), San José, Costa Rica, 15-18 November, 1988.

²The exception is Wanderley G. Dos Santos, *Cidadania e justiça*. This work deals with the issue of social policies in Brazil, following the tradition of the studies on the Welfare State.

³See Pedro Luis Barros Silva, *Atenção a saúde como política governamental*, Master's Thesis, Department of Social Sciences, IFCH, UNICAMP, May 1984; Sonia M. Draibe, "O padrão de proteção social brasileiro: desafios a democratização", *Análise Conjuntural*, vol. 8, No. 2, Curitiba, Brazil, Instituto Paranaense de Desenvolvimento Econômico e Social (IPARDES), 1986, mimeo.

designation of mechanisms for maintenance and subsidy of income and for provision of health care.

It is evident that the lack of consistency and depth in the concept of Welfare State in Brazil reflects among other things, the profile and characteristics of social policies, mainly their weak impact and low levels of social efficiency and effectiveness. Finally, the notion of Welfare State seems to be heavily loaded with socially positive content, and it seems strange to use it to refer to our situation of poverty, destitution and social exclusion. Moreover, the lack of consistency also reflects the very institutional and financial framework that supports social policy: the multiplicity of social-security contribution and funds, and the fragmentation of the administrative apparatus, marked by overlapping and opacity in matters of social expenditure. This is an institutional and administrative situation that provides little concrete support for the kind of unitary treatment suggested by the concepts of Welfare State or *social protection*. Also, at the symbolic level the more integrated and dynamic notions of social policy are absent. The ideological support of the struggles for the extension of social rights, for greater justice and equality or for greater emphasis on redistribution in the State's social actions has been furnished piecemeal and by categories; this comment applies both to the claims and to the claimants.

Under such circumstances it is not surprising that the studies and debates on social policies in Brazil have acquired a strong negative tone in relation to an entity —the Welfare State— that is regarded as exclusive to the Nordic and British situations, as the favourite son of European social democracy, or as an Anglo-Saxon specialty in the field of social policy. From this standpoint, the "Brazilian case" and the few references made to Latin American countries begin to look like cases of lack of development of the Welfare State or, at best, like "anomalous" particular cases, so specific that they could hardly be considered variations of general trends or at least typical of other models (evidently different from the Swedish or British) of the Welfare State.

Nevertheless, the richest pages of today's vast literature on the Welfare State have pointed precisely to the fact that —once the fertile roads

of comparative studies have been travelled— the Protector State can be understood not so much in terms of the implementation of postwar social democratic programmes, but rather as an important structural element of contemporary capitalist economies, as a certain kind of interaction between State and market, or State and society, or as a particular type of social regulation, which manifests itself at a given moment of capitalist development.

On the other hand, through a comparative examination of the historical processes of the formation of the Welfare State in various countries, this literature recognized and conceived distinct patterns for the consolidation of contemporary Welfare States. These patterns or models, of course, stem from different historical roots and conditions and manifest themselves in variations in the complex dimension of social protection, whether it be the inclusion/exclusion ratios involved in the systems, or their redistributive aspects, or their relations with the political system. For this very reason, the strong positive value component which seemed to be written into the very concept of the Welfare State can be reassessed, thus opening up the possibility of considering both progressive models and more conservative forms of building a Welfare State.

Comparative studies have shown that the Welfare State can be more universalist, more institutionalized and State-controlled in some cases, while in others more subsidiary and favourable to private action; in some cases more generous in its cover and the diversification of the benefits that it provides, and in others more selective and assistance-oriented; in some countries more antagonistic to political-party and electoral mechanisms and dynamics, and in others more "politicized" and used in a more clientelist manner. In certain cases and models it has nearly been possible to eradicate absolute poverty, guaranteeing a minimum income (or a negative tax) for all those who could not integrate themselves through the market and earnings; in others, the poorest strata of the population have been left relatively unprotected. A recent typology has attempted to describe all these different possibilities, in order then to discuss national cases with greater precision.

Types of welfare state

- a) Subsidiary: characterized mainly by selective policy.
- b) Meritocratic-individualist.
 - i) - Corporative.
 - ii) - Clientelist.
 (Characterized by its structuring principle, i.e., the original status of the individual in the job market, and therefore based on merit, professional performance and productivity. Social policy intervenes only partially in order to correct market actions.)
- c) Institutional-redistributive —characterized by a substantially universalist and egalitarian policy, marginally corrected by selective policy.⁴

Some authors have recently made an effort to measure Brazilian social policy against the international framework of Welfare States.⁵ Although there are still no definitive results, several of these studies already seem to allow or at least suggest the possibility of rethinking and reevaluating the "Brazilian case". Many of the characteristics that would seem to constitute the unalterable specificity of the Brazilian system of social policies can be reconsidered in the light of international studies on models of the formation, development and crisis of the Welfare State. In other words, it is possible to examine the theoretical and historical literature on this topic in order to seek analytical instruments and indicators that locate Brazilian social policies within a given pattern of Welfare-State development and consolidation in a late capitalist country like Brazil, where the most complete stage of conformation of the social-protection system took place under the auspices of an authoritarian

régime and within the framework of an economic development model that was concentrated and socially exclusive.

This way of understanding our Welfare State has several advantages. The first is that perhaps we will thus be able to stop using vague descriptive expressions such as "embryonic" or "less developed" to describe the Welfare State in Brazil. These expressions can mistakenly convey a linear concept of the development of the country's social policies which inhibits an understanding of the structural characteristics of our social-security system. In our opinion, though, the most important advantage relates to the crucial questions of the future of the Welfare State in Brazil. If the Brazilian case is understood as a prototype —one of several that served to shape the types of State intervention and social regulation in the capitalist world— the discussion about the possibilities and alternatives of future development can receive much more consistent input from international experience. Finally, the procedure suggested here corresponds to a methodological approach that means breaking both with idealism, which posits general ahistorical models, and with historicism, which postulates the irreducibility of each historical case. It is true that the social intervention of the Brazilian State is specific, but this specificity consists in retaining and mixing characteristics of general trends (the types of intervention of capitalist States) and adapting them to Brazil's particular historical conditions.

The paper presented here has been oriented in that direction. On the basis of comparative international studies it first attempts to examine the morphological and dynamic characteristics of the Brazilian Welfare State and then considers the prospects for its future development.

⁴This typology created by Ugo Ascoli reformulates another classic one by Titmus, with the goal of describing, through the differentiation of the second type, a situation like the Italian one where the content of the clientelist and corporative type is imposed on the functioning of the Welfare State. See Ugo Ascoli, "Il sistema italiano de Welfare", *Welfare State all'italiana*, Laterza, Italy, U. Ascoli (ed.), 1984.

⁵See Sonia M. Draibe, "A especificidade do Welfare State no Brasil", *A política social em tempo de crise: articulação institucional*

e descentralização, ECLAC, Research Report, April 1988, preliminary version; Sonia M. Draibe and W. Henrique, "Welfare State, crise e gestão da crise: um balanço da literatura internacional", *Revista Brasileira de Ciências Sociais*, ANPOCS, No. 6, vol. 3, São Paulo, Brazil, February 1988; and Francisco de Oliveira, "O surgimento do ativador", *Novos estudos CEBRAP*, Centro Brasileiro de Análise e Planejamento (CEBRAP), No. 22, São Paulo, Brazil, October 1988.

I

The Welfare State in Brazil: periods of development and characteristics

The Welfare State was built and institutionally consolidated in Brazil between the 1930s and 1970s. It is useful, then, to define the concept of welfare with which we are working. By "Welfare State" we mean, in the setting of the capitalist State, a particular form of social regulation expressed in the transformation of the relations between the State and the economy and between the State and society at a given moment of economic development. Such transformations are manifested in national, public or State-regulated systems of education, health, employment and income substitution, social assistance and housing, which, along with wage and employment policies, directly or indirectly regulate the volume, rates and behaviour of employment and wages in the economy and directly affect the standard of living of the working population and, in more general terms, the conditions of capitalist accumulation. Concretely, these are processes that, once the structure of the State is transformed, are expressed in the organization and production of collective goods and services, the creation of social transfer schemes, government intervention in the structure of opportunities for access to public and private goods and services and, finally, the regulation of the production of private social goods and services.

This conception requires the system of social protection to be nationally administered and State-regulated. For that reason, when we think of breaking down the establishment of welfare in Brazil into periods, we can go back only as far as the 1930s and consider the series of changes in the Brazilian State and the forms of social regulation which began at that time. On the other hand, this same conception forces us to examine carefully the nature of the legislation and policy innovations brought in between the 1930s and now, for this will save us from taking a linear view of the construction and consolidation of the Welfare State in our country.

It is well-known that in this period the legislation fell into two stages: one lasting from 1930

to 1943, and the other from 1966 to 1971, both, moreover, having occurred under authoritarian régimes. This situation seems to confirm the thesis of preventive actions taken by the élite and the pursuit of legitimization through social policies.⁶ However, this is not the issue that we wish to pose here. We feel that it is more important to examine how similar these two periods are or the extent to which they express distinct sequences in the general process that we wish to break down into periods.

The legislation of the 1930-1943 period relates basically to the creation of the *Institutos de Aposentadorias e Pensões* (pension and benefit institutes - IAP) on the one hand, and, on the other, the labour legislation consolidated in 1943. Although these innovations are in fact the most important ones, the period also saw many changes in health and education policies, areas in which much of the centralization of resources and institutional and administrative instruments is vested in the Federal Executive.

Later, within the limited framework of the democratic régime in power between 1945 and 1964, the process of legal and institutional innovation continued (in the areas of education, health, social assistance and, in a less pronounced way, public housing), and the system of social protection was expanded along the lines and within the parameters defined by the innovations of the 1930-1943 period. This means that there was simultaneous progress in the processes of institutional centralization and in the incorporation of new social groups into the protection schemes; nevertheless, this was accomplished within *the framework of a pattern of State social intervention which was selective (at the*

⁶The history of the constitution of the Welfare State in Brazil, which reconstitutes the general process of setting up the centralized social apparatus and the particular processes of formation of education, health, social-security, social-assistance and housing policies has been recounted by us in Sonia M. Draibe, "A especificidade do Welfare State no Brasil", *ibid.*

level of beneficiaries), heterogeneous (at the level of benefits) and fragmented (at the institutional and financial level).

Both in its nature and in its content and social impact the period starting in the mid-1960s and ending practically in the mid-1970s is very different. As compared to the previous period, the series of legislative measures prevents a scenario of radical transformation in the institutional and financial structure of the system of social policy. This transformation is considered radical because the period saw the effective organization of the national, public or State-regulated systems in the sectors of basic social goods and services (education, health, social assistance, social security and housing), with the elimination of the fragmented and socially selective structure of the previous period, and it cleared the way for a number of universalizing trends, but above all for implementation of a policy for the mass of the population with a relatively broad cover. Moreover, it was also a period of innovation in social policy, since only then was State intervention in the housing sector firmly established and the mechanisms introduced for workers' equity formation and participation in the profits of enterprises (Guarantee Fund for Length of Service (FGTS), Social Integration Programme/Programme for Civil Servants' Equity Formation (PIS-PASAP)). Despite its extremely exclusive nature, the protection system moved towards the inclusion of rural workers.

Thus, with the authoritarian and technocratic characteristics of the régime imposed in 1964, the constitution of the welfare system in Brazil was completed; the key elements of State social intervention were defined; the centralized support apparatus for that intervention was established; the funds and resources to give financial backing to social-policy schemes were identified; and the principles and operating mechanisms and, finally, the rules of social inclusion and exclusion that definitively characterized the system were defined. The massive expansion from the mid-1970s was effected in accordance with this model which had been developed from 1964 and which by the end of the 1970s, began to show signs of wear and crisis (in its organizational, financial and social aspects).

These considerations suggest that the evolution of the Welfare State in Brazil can be broken down into the following periods, each with its own individual characteristics:

1930-1964 - *Introduction and fragmented expansion.*

- a) 1930-1943 - Introduction.
- b) 1943-1964 - Fragmented and selective expansion.

1964-1985 - *Institutional consolidation and conservative restructuring.*

- a) 1964-1977 - Institutional consolidation.
- b) 1977-1981 - Massive expansion.
- c) 1981-1985 - Conservative restructuring (attempted).

1985-1988 - *Progressive restructuring.*

- a) 1985-1988 - Progressive restructuring (attempted).
- b) 1988 ... - Definition of new profile (Constituent Assembly).

Despite all the possible objections to this division into periods, the efforts seems worthwhile, at least as a means of supporting the subsequent analysis of the morphology and functioning of the Welfare State in Brazil, as consolidated after 1964. Before going into that topic, however, it is worth mentioning the general traits of the model applied in Brazil throughout the stages of introduction and consolidation.

As observed in the first part, Welfare State typologies chiefly stress a meritocracy-universalism combination in the orientation of the State's social actions, as well as the subsidiary aspects or the selectivity with which they reach or cover given social groups under their benefit schemes. The principle of *merit*, understood mainly as occupational and income status in the production structure, is what constitutes the basis of the Brazilian system of social policy. In the case of social protection, the principle has been in force since the introduction phase; in the consolidation phase, when other benefits and the system of social funds were established, the predominance of the income-contribution-benefit ratio was maintained and, in that sense, the majority of the social policies reproduced the system of inequalities that prevailed in the society. Their redistributive or egalitarian aspects were few, theoretically found only in basic education (compulsory and free) and

health (emergency care). Thus, the absence of minimum social standards (benefits in kind, income, services or goods) for all citizens regardless of their status in the job market undermined the corrective mechanisms that, in principle, ought to have operated through social policies in Brazil, within the framework of the State/market relationship.

It can therefore be asserted that the Brazilian Welfare State model is of the *meritocratic-individualist* type, as Titmus defined it. However, on that basis the Brazilian system also acquired other important characteristics during the 1970s, mainly in the sub-period beginning in 1981. Given its meritocratic nature on the one hand, and the distorted employment and wages structure on the other, the Brazilian system developed a complex social-assistance scheme, overlapping or parallel to the social-security scheme (for example, the programmes of the Brazilian Assistance Legion (LBA) or the free food distribution programme of the National Food and Nutrition Institute (INAM). This scheme related to specific groups—and therefore theoretically residual ones—but in the final analysis it was directed at the majority of the population, wage-earners or not. The established requirement was a family income of less than two minimum wages, but in fact the assistance programmes (not based on contributions) were directed, by definition, at "risk groups"—babies, pregnant women, nursing mothers, old people. Furthermore, given the low wages, the beneficiaries constituted a large majority of the population.

Thus, the theoretically supplementary public-assistance policy was hardly a residual one; it functioned more as an indeed precarious substitute for minimum social standards (not defined and not institutionalized and, for that very reason, not guaranteed). It is evident that underlying this later development in the Brazilian system, exacerbated of course since 1985, are misery, underemployment or unemployment. In any event, it is important to note that the Brazilian system of social protection, instead of being made universal or progressing towards minimum social standards, followed the route of supplementation through social-assistance mechanisms, whose volume today seems to be quite significant (we should remember the many

programmes implemented by the Social Investment Fund (FINOSOCIAL), FAS, the Special Secretariat for Community Assistance (SEAC), etc.).⁷

In its relations with interest groups and the political system, Brazil's Welfare State has tended to acquire since its introduction phase a *corporative* connotation that frequently appears in meritocratic-individualist systems. However, it may be the *clientelist* nature that most affects its dynamics. This is due to diverse and complex reasons. Since the introduction phase, for example, there has been no doubt about the privileged relations and, in the case of social security, the corporative and clientelist management of trade-union bureaucracies in the pension and benefit institutes (IAP), in the bureaucracy of the Ministry of Labour and in the party machines, especially the Brazilian Workers' Party (PTB). Once that pattern was broken after 1964, other forms of clientelism appeared in the system, influencing the allocation of resources and the process of expansion and, tending to create feuds (through the domination of interest groups, individuals or party machines) in social-security bodies, and mainly in the distribution of benefits during election periods.

Since the end of the 1970s, the increase in the role of social-assistance measures in social policies only reinforced the clientelist dimension; the opening-up of the political system after 1985 revealed this characteristic more clearly. It is important to remember, nevertheless, that clientelism was not found exclusively in the domain of social security. It affected education (in the political relations within the Federation, after 1964 mainly in the functioning of the Federal Education Council) and also influenced the functioning of the National Housing System. In the health and education sectors this corporative dimension acquired importance more recently, basically through pressure from professional groups committed to the system (teachers, doctors, paramedics, etc.).

It is true that there were universalizing trends—in terms of cover and beneficiaries—that gained ground in the system. In the social-

⁷For more information, see NEPP-UNICAMP, *Brasil 1985-Relatório sobre a situação social do país*, two vols., São Paulo, Brazil, UNICAMP, 1986 and 1987. See also the 1986 volume.

security sector, the unification of the pension and benefit institutes (IAP) in the National Social-Security Institute (INPS) initiated the standardization of benefits and universalization of entitlements, at least for urban wage-earners with formal jobs. As for health policy, since the late 1970s, emergency care has been extended to the entire population through social-security medical schemes. In the case of education, compulsory and free basic education had already been stipulated in the first republican constitution, and the extension to eight years of compulsory basic education in the 1970s expanded this "right" of the people (the effective cover during that period was low, especially in the first stage, which had a 50% drop-out rate as compared with the second). Despite all this, these universalizing trends were very far from investing the Brazilian system with "institutional redistributive" characteristics.

Now that these brief observations have been made, it is possible to construct the morphology of the Welfare State in Brazil, as it manifested itself from the 1970s (see annex). Following Jens Alber,⁸ our main focuses are distribution on the one hand, and conservation of the opportunities structure on the other; from another angle, the public or private nature of the supply of social goods and services is indicated. A thorough evaluation of this situation would entail quantification (of resources, services offered, beneficiaries, etc.), which could not be undertaken here. Nevertheless, it can be seen that, in the system as it has been set up, increased equality in the sense of a vertical redistribution of income (through social policies) has not been the priority goal; the minimum level that is offered to everybody is very low, and this is even worse because the internal redistributive mechanism in the scheme of social transfers is also quite fragile.

In principle, the fundamental objective of the Brazilian system in social security would tend to be the protection of the *status* already acquired by the worker against the risks of social decline (present or future). However, here too, owing either to the way the system is financed and the

injustices which it causes, or to the low levels of benefit and the historical devaluation of pensions and allowances, even this objective is hard to attain.

These morphological features combine with other features of a dynamic nature, related to the system's modes of functioning, which emerged during the period of institutional consolidation under the authoritarian régime. We will analyse them next.

It is possible to identify the organizational principles of the system of social protection in Brazil as defined and established in the consolidation phase. Since then, these principles have operated dynamically through the reproduction of the system.

1. *The extreme political and financial centralization at the federal level of the government's social actions*

There is no doubt that the centralization of decision-making power and the financial controls of the Federal Government assumed unprecedented proportions. On the one hand, centralization denied states and municipalities the instruments of social intervention in three ways: by concentrating the financial resources in the Federal Executive; by establishing general norms for social policies, and by making the allocation of federal funds subject to Union decisions, always avoiding any type of "automatic transfer" of resources. On the other hand, a relative reduction of social action by direct administration took place within the Federal Executive, with the substitution of large organizational complexes (BNH, SINPAS, etc.) or indirect-administration bodies: State enterprises, foundations and autonomous entities.

2. *Vast institutional fragmentation*

The other face of centralization was the multiplication of different types of public body, such as institutes, foundations and, mainly, public enterprises. This sort of "decentralization" had disastrous effects on the organization of the social apparatus of the State:

— excessive bureaucratization;

⁸Jens Alber, "Politiche sociali e benessere nella Repubblica Federale Tedesca: un bilancio", *Lo stato del benessere: una crisi senza uscita?* (ed.), M. Ferrera, Florence, Italy, Le Monnier, 1981.

- blocking of the formulation and implementation of general plans for each sector of a national social policy;
- lack of public control mechanisms, which left the road open for action by private interests in the State apparatus;
- an incredible overlapping of programmes and clientèles in a manifestation of institutional disintegration.

3. *The exclusion of the population's social and political participation in decision-making processes*

The process of bureaucratic and authoritarian centralization and fragmentation suppressed or prevented the participation of trade unions, political parties and social movements in all areas of social policy, both where there previously existed a tradition and in recently created sectors, conceived and managed according to technocratic criteria. The basic guidelines of these social policies were not discussed in Parliament either. Thus, all the public-control mechanisms were suppressed, causing the social-security system to manifest at the beginning of the 1980s, signs of all kinds of institutional disorder, administrative disorganization, fraud and corruption.

4. *The principle of self-financing of social investment*

This principle, as well as implying the creation of specific financial funds for each sector, also meant subjecting social expenditure to economic and financial criteria of private profitability with regard to resource allocation. Examples of this were the "priorities" established by BNH, which gave priority to housing over sanitation, and to policies favouring middle-class housing, to the detriment of low-income housing.

5. *The principle of privatization*

Social policies began to be regulated by the golden rule of self-financing: the users had to pay for what they received. Taken to an extreme, this rule means the privatization of social services, which has diverse implications:

- an opportunity for private interests to penetrate the State apparatus through pressure groups, *lobbying*, etc.;
- a form of highly structured interrelationship between the State apparatus and the private sector providing services (such as hospitals) or supplying "social products" (such as builders). Thus, it can be asserted that a division of labour is established between the State and the private sector: the State sets the rules and transfers the resources; the private sector assumes the responsibility for the production of goods and the provision of services;
- the reduction of the relative participation of the State in the health and education sectors, and the corresponding increase in private-sector participation in the supply of these services.

6. *Clientelist use of the social apparatus*

As a consequence of several of these principles, particularly the almost total lack of public-control mechanisms, the clientelist behaviour of the Government left its mark on the system's functioning. Whether under the typical forms of patronage practised under the military régime or, even more clearly, under the civilian régime inaugurated in 1985, the fact is that the clientelist use of the social apparatus has been a constant and has constituted an immeasurable source of power for the Government, the parties and some individuals.

These are the principles that underlay the consolidation of the Welfare State in Brazil and have determined its functioning since then. For this reason, the magnitude of the distortions that have accumulated in the system comes as no surprise at all.

In the first place there is the problem of the highly regressive nature of the financing of social expenditure. The fiscal resources allocated to the social sphere have acquired, over time a highly residual nature, both because the State spends in this area a relatively small percentage of what it collects in taxes and because State expenditure is a minute fraction of all social expenditures. The remaining resources —social-

security contributions, equity funds and funds and contributions of enterprises—once defined as a wage (or payroll)/contribution ratio, are basically levied on wage-earners and lower-income sectors in general or operate as indirect taxes through transfer to prices and are therefore paid by all consumers.

Another point that should be mentioned is the excessive bureaucratism that has characterized the public social-security apparatus, which is largely responsible for the mistakes in national social policy, particularly the inefficiency, ineffectiveness and exaggeratedly high cost, since it absorbs an enormous proportion of the resources.

Given all the characteristics listed here, one can understand why during the mid-1980s Brazil found itself in a situation in which social expenditure was nearly as high as in a developed country (18.3% of GDP), while its results were as discouraging as those of the underdeveloped world.⁹

These observations help to clarify the meritocratic-individualist nature of the Welfare State in Brazil.¹⁰ In reality, the State's social intervention is based on the workers' ability to contribute, sanctioning what we might call the *primary distribution of income*. For example, works to extend water-supply and sewerage networks were only carried out when the states and municipalities could service the loans from the former National Housing Bank (BNH) by charging the users "realistic rates". The loans for low-income housing made from resources coming basically from FGTS (guarantee fund for length of service) always required a loan value consistent with BNH and financial-agency costs. This produced a real interest rate of around 10% annually and is the reason for the extremely high insolvency rate among low-income borrowers, who were relatively very few. The fares on urban mass-transit services had to be profitable for private investments. Students who did not find places in the public system had to assume the monthly payments demanded by the private system, which equated to investments in education. Private hospitals, which operated like any other

capital investment, came to charge 70% of the cost of medical services. Within this framework, as already mentioned, public expenditure financed by regressive systems did not perform any redistributive role that could alter primary income distribution.

These distortions in our Welfare State can be better understood when viewed in their true context, i.e., the conservative route of social "progress" that Brazilian capitalism has taken. In other words:

i) rapid economic development caused a rapid and profound transformation of the social structure;

ii) this led to a transformation of the employment structure, which in turn was expressed socially in upward social mobility;

iii) on the other hand, however, wages were low for large groups of workers, at the same time as millions more were underemployed in cities or completely marginalized in the countryside.

Therefore, social progress assumed the form of mobility accompanied by the absolute poverty of a large part of the population, i.e., mobility with extreme inequality. In Brazil social progress was achieved by meeting fully the requirements of the "ideal form" of social development of capitalism, which consists of all-out competition among free men, which "selects" the "most capable" and inhibits the integration and incorporation of broad strata of the population.

This situation is entirely different from the historical framework of the Welfare State in developed countries. Of course, social-welfare policies emerge simultaneously with a situation of full employment which, in conjunction with a constant rise in real wages, raises the standards of living of the overwhelming majority of the population. In the Brazilian case this has not occurred. For the large majority wages are low, and for a considerable number there is no job stability. The consequences of these Brazilian "specifics" are various:

i) the very base of the per capita contributions (wages) is relatively narrow in comparison with scope of social security. Consequently, the quality of services is undermined and benefits are necessarily insufficient for their intended purposes;

⁹See World Bank, "Brazil. Report of the social expenditure review mission", Washington, D.C., 20 October 1987, *mimeo*.

¹⁰Liliana Aureliano collaborated in the development of the argument that follows.

ii) the policy tends to become assistance-oriented, and the assistance programmes aimed at *fighting poverty* are overloaded, since they must cater to the needs of practically one-third of the population;

iii) the other two-thirds, despite being employed and having stable wages, need State assistance to ensure a decent life. This undermines the very definition of assistance policy and it has to be provided with a different conceptual basis;

iv) within this framework there is a shortage of resources for supporting new tasks of assistance policy and supplementing the contribution-based benefits (social security, health, etc.).

Brazilian capitalism takes a conservative road to construction of the Welfare State and, through all the distortions examined here, modifies it by *practically denying the welfare* promised by economic progress.

II

Outlook for the Welfare State in Brazil

This paper will not undertake an analysis of the limited and insufficient achievements of the Welfare State in Brazil or of the mediocre results determined by all its morphological and structural characteristics and by all the dimensions or operational principles that have just been described. It will offer instead some thoughts about the meaning of the changes in the system's operation, with a view to using them to evaluate the possibility of its coexisting in decades to come with a more equitable development model.

To begin with, it should be recognized that the situation of the Brazilian Welfare State, like any social situation, is neither immobile nor immutable. It is modified when it enters a crisis; for example, when it can no longer be reproduced according to its structuring principles. Changes take place when, under these circumstances, some of its fundamental pillars *undergo alteration, either in their financing or in their organizational and operational dimensions*. There is no doubt that these changes imply transformations and express more profound restructuring trends. The difficulty lies in being able, during the process itself, to identify the direction, characteristics and, if you like, the future profile that these changes project.

Since the end of the 1970s, but basically during the 1980s, the Welfare State in Brazil has been subject to change. Without a doubt the economic crisis accelerated this process, given the more general restrictions that it imposed on

employment and income plans, as well as its implications for the financing of the public sector in general and of social policies in particular. In addition, the conservative management of the crisis at the beginning of the decade certainly helped to exacerbate the process. But, it was primarily the crisis of the authoritarian régime and the process of democratization which had the most decisive influence on the changes.

As mentioned earlier, the social sphere had already seen some restructuring attempts at the end of the previous decade. Despite this fact, there was no radical modification in the guiding principles of welfare (some proposals for changes in health policy; measures for financing social security in 1981, etc.). Certain opposition state governments elected in 1982 promoted with some success certain innovative practices, mainly in the areas of health, food and nutrition programmes, low-income housing, etc.

After 1985, with the Government of the New Republic, some attempts were made to alter the social policy model, but without much success.¹¹ More recently, the Constituent Assembly has taken decisions that imply qualitative

¹¹With respect to the project and strategy of restructuring of the system of social policies in the New Republic, its objectives, plans, successes and failures, see Sonia M. Draibe, *Notas (desanimadas) sobre a política social da Nova República*, paper presented at the Tenth Annual Meeting of ANPOCS, Campos do Jordão Brazil, 1986, mimeo.

changes, and under the new constitution new principles for a fairer social policy may possibly be adopted.

Although there may not be any radical changes or sufficiently important modifications as to suggest a new model of social policy, certain alterations have been made, both in the system's conception and in its institutional and operating plans. The immediate reasons behind the changes are many and diverse. In terms of ideology, moreover, the ways of considering and implementing changes are quite different, although the arguments may apparently be common to conservatives, liberals or progressives. If we look at what has happened over the decade, nevertheless, we can identify new features emerging in social policy which, in our view, express trends towards even deeper changes, possibly the ones which the set of options and prospects of the Welfare State in Brazil will actually rest. In turn, these new trends in Brazil are also more general and are found, in one form or another, in the majority of the Welfare States of the Western world.

These already familiar innovations that we are discussing, are coming in at three basic levels: a) political-institutional; b) social or rather forms of joint social action implicit in social policies, and c) relations between the State, the profit-based private sector and the non-profit sector. We shall examine each of them in relation to the production and supply of social goods and services.

a) At the political-institutional level there is a strong trend towards political-administrative decentralization, with important strains of "municipalism" and "localism". The local, municipal and decentralized ways of perceiving the political-institutional role of social policies constitute perhaps one of the most solid propositions of progressive thought and have usually been associated with democratization. Mainly in Brazil, but also in many other Latin American countries in which authoritarian régimes that are centralizing by nature have reached their end, the decentralizing theses seem to have been combined with diverse and profound expectations: from traditional arguments for the democratization of political life to, with regard to social policies, a closer proximity between the

decision-making organs and the demands and those who make them. The truth is that these arguments for and trends towards decentralization have emerged virtually throughout the world; they have even prompted particular doubts about the future of the Welfare State: whether in fact "municipalization" of the Welfare State is occurring.

It is true that decentralizing, municipalizing or "localizing" do not always mean immediate democratization. It is not just that democratizing processes do not have a monopoly on decentralization, but also that decentralizing processes can open the way for other forms of arbitrariness or authoritarian political behaviour. In addition, of course, the decentralization of responsibilities and powers, unless accompanied by the corresponding resources, is nothing more than just another arbitrary way of reducing spending, despite euphemistic talk of "dismantling". On the other hand, although the combination of strong political centralism and a high degree of democracy is rare enough, is not completely non-existent, as the case of France confirms. Decentralization, in these cases, must respond to other demands, in addition to the demand for more democracy. It is undeniable, however, that at the political-institutional level decentralization is perhaps the strongest factor in the reorganization of social policies. In Brazil, besides having been an important demand of reformers (radical or moderate), it also indicates the direction of the process of change that is already under way, for example in health policies, school-meal programmes and in welfare and other programmes recently approved by the Constituent Assembly.

b) At the level of what we call basic social effects of social policies, one noteworthy innovation is the increase in the degree of popular participation at the different levels of the adoption, elaboration, and implementation of policy. A typical emerging characteristic is the participation of collective and community bodies, which is increasing not only in the decision-making and control process particularly in some forms of the production and distribution of social goods and services, which are discussed below. The nature and role of *social movements* has already been studied thoroughly from this

angle. Here it is sufficient to note that, ideologized or not, they constitute an expression of new forms of social action, the more general significance of which we wish to emphasize in this paper, both in Brazil and everywhere else. It cannot be overemphasized that the authorities did not cede the centralized forms of decision-making to local forums and the forms of popular participation have never equalled the role of the State. Nevertheless, the intensification of the action and participation of the "clients" in social welfare policies seems to constitute a move towards reduction of the passivity with which these policies were received before, and more than merely "dynamizing" social rights, it reformulates the sphere and the social structure within which these policies operate: the associations of neighbours and shantytown dwellers, community bodies and volunteer organizations of all types that are formed *in* and *for* social policies express a more profound social movement, a continual reorganization of the social fabric, although this has been ripped apart by existing political and economic forms, chiefly during the current crisis.

c) Finally, there are the modifications that have realigned the relations of equilibrium between the State and the private sector, profit or non-profit, in the field of social policies, and also the role of the State in the provision and functioning of social services. If we examine as a whole the series of innovations in this area, we find in fact a tendency for change in the means of production and distribution of social goods and services. In other words, there are currently certain social processes under way that are tending to modify the relations between the State and the market, between the public and the private, and between both the production systems and the consumption systems, of social services and goods. In Brazil, the so-called "alternative form"—i.e., volunteer community works and self-construction, the many mutual-assistance experiments, the community and neighbourhood initiatives (in child care, nutrition and refuse collection and processing)—are just a few of many examples that reflect developments throughout the world. These experiments involve the participation of the beneficiaries and the commitment of volunteer associations and networks of non-governmental organizations in

the implementation of social policies. This situation, as noted, exhibits new forms of social action and a realignment of the relations of these sectors of society with the State and with the economy. Where the State or the market (or their various interactions) dominated before, these new forms of "social solidarity" are coming to play a role.

On the other hand, changes are taking place, although still very slowly, in the way that the State's action is determined and implemented. The undeniable predominance of collective public facilities, above all in education, health and urban public transport, has been weakened by the introduction of other mechanisms. By this, we mean tickets, coupons and cash transfers. These are mechanisms that, although remaining the State's responsibility in respect of provision of social services, reduce its level of activity in terms of its typical centralized and bureaucratic methods of carrying out policies. The methods which in the past were the monopoly of the liberal approach have been incorporated, defended and disseminated in the most diverse political-ideological contexts, even among socialists and social democrats. They have been justified by invoking a determination to reduce the level of bureaucratic and State control of policy and to increase the user's options and freedom; economic reasons are also invoked: the monetarization of these relations will heighten the level of personal demand backed by cash and thus stimulate the economy. In Brazil, meal tickets or transportation passes, milk coupons, cash assistance for families (for example, to educate their children at home, instead of boarding them in public institutions (Febem) as before), subsidies and philanthropic institutions that provide social services are all examples of these trends, although they are quite different from each other. And the justifications that accompany them are practically all of the same kind.

Another of the changes that should be noted is the above-mentioned more than proportional growth of the Government's social-assistance programmes. This growth is not based on contributions, particularly in the case of the programmes for the free distribution of benefits in kind to the poor, as well as the innumerable assistance and social-promotion programmes in practically all spheres. Nevertheless, the social-

assistance bias that has characterized the Brazilian welfare system is not exclusive to the country, since it is currently found everywhere.

Finally, it is worth considering another trend that has begun to manifest itself in Brazil: the guarantee of a minimum income for all citizens—a social wage. As seen in the first part of this work, the idea of minimum social standards, justified by the equality of results, is not new. It is a constituent feature of some welfare systems and has taken the form of a negative income tax in residual-selective systems, or of cash income in institutional-redistributive models. Nowadays the argument used most frequently to justify the introduction of a minimum social standard is based in fact on the general premise of the guarantee of basic social rights for all citizens. But more specific reference is made to the recognition of forms of poverty, marginality and lack of integration (in the traditional sense and also as a new form of poverty that today means being excluded from the market) which have not been and will hardly be corrected and eliminated by traditional social-policy mecha-

nisms. The second argument, a Keynesian one, is that the minimum social standard in a market economy will reinforce the demand-stimulating mechanisms already described.

In Brazil there is no formal definition of a guaranteed minimum social income for all citizens. Nevertheless, the lifetime monthly income paid by the urban social-security system to senior citizens who have not made contributions in the past—a benefit extended in the new constitution to cover all senior citizens and the handicapped—comes close to the idea of a minimum social wage as conceived here. Accordingly, a recent work termed it “the people’s wage”, predicting that, in accordance with the typical dynamics of social benefits, it will tend to be extended to the entire population.¹²

All these characteristics—it almost goes without saying—are developing in step with a gradual reinforcement of the “traditional” structures of Brazilian welfare, at least in its central point, the social-security system. This reinforcement is expressed through familiar processes such as extension, universalization, etc.

III

The future of social protection

The time has arrived to look at the future of social security in Brazil for the remainder of this century. The previous discussion has the merit of indicating the more deepseated trends that have changed the world of labour relations and related social relations; these are general trends of capitalist society which affect countries like Brazil in a specific way. Although they are obviously insufficient to give a full account of Brazil’s specific case, they do at least help to sketch in the most probable alternative frameworks for the development of our welfare system in the immediate future.

We do not intend to apply or develop the classic scenarios methodology in this work and will limit ourselves to describing the possible contexts for the economic development/social equality equation, taking into consideration the existing demographic parameters, the current

model of social protection, the general trends for change mentioned above and the variables that can have a more indirect effect on social policies: at the economic level, the growth rates of the economy, employment and wages; at the institutional level, the degree of efficacy of economic and social-policy mechanisms, the profile of public-sector financing and the general performance of the State apparatus; and finally, at the political level, the political-ideological orientation and definition of government strategies and priorities relating to poverty, destitution and social exclusion.

Obviously, the rates of growth of the economy, and particularly of employment and wages,

¹²See Sulamis Dain, *Crise fiscal e dilema redistributivo*, degree dissertation Department of Economics, Federal University of Rio de Janeiro (UFRJ), 1988.

will play a crucial role in the future performance of social protection in the country. According to forecasts of economic analysts, it will be difficult for Brazil to return to the high growth rates of the past decade. However, an economic policy committed to development will undoubtedly be able to deliver less mediocre achievements than the current ones and will raise the employment rates to the extent that it incorporates coherent sectoral policies in addition to jobs and manpower-training policies, with the goal of reducing the rates of unemployment, underemployment and informal labour market activities, all of which will tend to reduce the pressure on social policies. However, an effective mitigation of such pressure can only be achieved if, in fact, there is a significant increase in wages, something which is possible given a higher level of economic growth, although it will not automatically result therefrom. There is no doubt that the premise of any more optimistic outlook for social protection in Brazil is a wage increase sufficient to break, once and for all, the vicious circle that inevitably makes even wage-earners employed

in the formal labour market clients of social assistance, as described earlier.

On the other hand, reform of the State is a necessary condition for growth with equity; without this, it is impossible to project more than mediocre and negative scenarios for social protection. A brief reference may be made to the conditions of this *reform* which could correct, in the medium term, the current failures of State management: restoration of the efficacy of the mechanisms of financing the public-sector in general and social policies in particular; and administrative reform that truly decentralizes and makes decision-making powers less rigid, democratizing the State while at the same time restoring its capacity to co-ordinate and plan. In other words, what we are saying is that either the mechanisms of public management are updated and modernized and adjusted to the direction of social changes and demands, or it will be necessary to make do with a State that is increasingly less capable of fulfilling its general functions, becoming yet another victim destroyed by the crisis.

Annex
MORPHOLOGY OF THE WELFARE STATE IN BRAZIL

	Redistribution	Opportunities			Objectives
Public goods and services		ASSISTANCE/COLLECTIVE SOCIAL SERVICES	HEALTH	EDUCATION	HOUSING, SECONDARY AND UNIVERSITY EDUCATION
Minimum level offered	Fiscal and para-fiscal resources	LBA - Funabem INAN + Various programme areas (FINSOCIAL, SEAC, FAS, FAE)	INAMPS - Primary care Secretariat and health establishments, university hospitals	Compulsory basic education	
		Entire population			
		GUARANTEE OF INCOME		COMPOSITION OF FAMILY INCOME	
		Specific contingency	Typical risks of income loss		FORMATION OF EQUITY/ PARTICIPATION IN PROFITS OF ENTERPRISES
		Lifetime monthly pension	Pensions, allowances	Insurance against job accidents	
Social transfers	Social contributions		Unemployment, insurance	Wage - family	Assistance - childbirth
				Wage - maternity	
		Urban-formal market workers		Urban workers	
		Agricultural workers		Rural workers	
Expansion of opportunities structure for access to public and private goods		Rehabilitation (INAMPS, IMPS, LBA)	Vocational training (SENAI system, SENAC)		
		Assistance and charity associations (contracted)	Hospital care (contracted)	Secondary education Higher education (private)	BNH system + Civil Construction
Private goods and services		Fiscal incentives / credits (social funds)			
State/market					