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The coming of age of a mature welfare regime and the challenge of care:

Labour market transformations, second demographic transition and the future of social protection in Uruguay*

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Introduction

Uruguay has a mature and robust welfare state by Latin American standards. The first Latin American welfare state, as it was termed by Pendle (1954) is also the one that spends more than almost any other welfare state in Latin America in GDP terms, as a proportion of total expenditure and in per-capita terms. Yet this is also an old and rigid welfare state, which has increasingly become less capable of confronting the type, amount and distribution of social risk. This inadequacy of the old welfare state is due in part to its own problems regarding issues of efficacy, efficiency and coordination. It is also linked to a process of increasing demands in a context of limited, though expanded, resources. But the central reason behind the decline of the welfare state is due, as we will argue in this paper, to the fact that both families and labor markets have changed dramatically in Uruguay. These changes have created new social problems, which have not been met by the traditional system of social policies that was structured on the genotype of the continental Bismarckian model with its contributory bias for financing and entitlements, its emphasis on cash transfers and its orientation towards the nuclear male breadwinner family model.

In this sense, Uruguay constitutes a test case scenario for the challenges confronting welfare states regarding three major changes in the social structure: increasing labor market participation of women, changes in family arrangements, and population ageing. These three developments bring to the fore the problem of care and economies of care, as well as the impact of these new challenges on the financial sustainability of welfare expenditures. In addition it adds a whole new arena where opportunity and welfare are redistributed due to the interaction of family transformation, labor participation of women and gender and generational distributional conflicts. Put more simply, where men work for wages, women are responsible for unpaid work in the household and unpaid care for others, ageing is limited and families with two parents tend to last close to a lifetime, the issue of who does what is settled. Men work, women take care of the house and children, and the elderly take care of themselves or are taken care of by women in extended households. Also opportunity and welfare are distributed in relatively settled terms, dependent on male position and marriage patterns. Finally a contributory welfare model built for stable two-parent male-breadwinner families in a labor market close to full formal employment is burst asunder in its efficacy and financial basis when both labor markets and families change.

While Uruguay never adjusted perfectly to the idealized pattern of the stable, male breadwinner two-parent family, it is quite clear from basic evidence that this was a dominant model within the middle classes and quite prevalent in the large urban popular classes (rural population amounts to less than 10% in Uruguay). Especially the long term duration of marriages and close to full formal employment regime for males did constitute a basis for an imperfect yet real consistency between the welfare state, family and labor markets. No matter how much we are to question this idealized version (both on empirical and normative grounds), data indicates that the last thirty years have moved further away from this version of family and labor markets (increased female headed households, a steep increase in divorce rates, more unemployment and informality within male population, and increased rates of female labor force participation in also increasingly informal labor markets).

Among the different and many problems that this decoupling of social structure and social protection creates, the issue of care becomes central. As women enter the labor force, as population ages and as family arrangements change, issues such as who shoulders the burden of care, how policies help reconcile work and family, and how state services and state interventions confront these challenges, become salient topics, and they enter fully and visibly the distributional conflicts and agenda of state, policies and politics.

As welfare regimes confront these problems, four alternatives become possible: market solutions to care, state provided solutions to care, redistribution of care burdens among males and females in families and collective non-state solutions (third sector and community solutions). We focus in this paper on the response of the state to this problem of care and protection, though we will also touch upon the other spheres and arenas where “care burdens” are redefined and redistributed.

In the first part of the paper we will review some conceptual developments and some critical arguments regarding the welfare and social model debate as it relates to the issues of risk, protection and care. Secondly we will argue that changes in the labor market, sexual division of labor and ageing have put new strains on the welfare regime. In order to do that we will present data on labor market evolution with particular emphasis on women’s participation, data on age structure and family arrangements of the elderly, and finally data on the transformation of family

arrangements, especially, in this case families with children. We will argue that these transformations have contributed to the development of a three tiered society: a well-off group that deals with these new strains by buying services in the market, a defensive middle-class that has less and less children and relies on an increasingly poor and inadequate social state, and a large proportion of poor people that rely partially on the state and increasingly on families that have neither the strength nor the resources to confront these new challenges. The third section will concentrate on changes in the architecture of care and protection present in the welfare regime. We will provide general basic data on time allocation to care by gender, market access and services related to care and social protection, and welfare state provision of care and social protection.

Finally we will argue that despite serious problems as the ones we will describe throughout the paper, not all hope should be lost. There have been some important improvements regarding education, health care, family allowances and to a lesser extent social security for the elderly that give room for hope. Furthermore we will argue that in the last three years and with some of the more salient reforms of the new government, there is a window of opportunity for radically reshaping the welfare regime, specifically its welfare state, in the right direction. Thus in this section we will concentrate on four reforms that we believe go (or in the case of education went) precisely in the right direction: early childhood education and full time schools, health care reform and its emphasis on primary care and emergency health care, social security reform regarding both retired peoples income and housing and care networks, and finally, family allowances and its impact on children's welfare and access to both health care and education. We will close the paper by pointing out the strengths and possibilities as well as the weaknesses of the reform agenda and will try to identify the political and policy challenges that lay ahead

1. A thesis and some hypotheses

In Uruguay, as the relation between social risk distribution and state response is becoming decoupled, it is inevitable that the welfare regime made up of state, market and families faces multiple tensions and achieves non optimal balances both in terms of present and future welfare of the population.

Markets and families witness two main transformations. On the one hand, structural unemployment and precarious labor relations became stable features of labor markets (UNDP 2003; Kaztman et al 2003, Amarante and Arim, 2005, Amarante and Espino, 2007,). On the other hand, cohabiting and mono parental female headed households are part of the fast changing landscape of family arrangements (Filgueira, C. and Peri 2004, Filgueira, C. 1996, Cabella 2007, Paredes 2003).

These key transformations of family and market are reinforced by other changes both related and derived from them. When families incorporate new members into the labor market to achieve or maintain families' incomes, they blur the outline of the traditional breadwinner model. This blurring of the breadwinner model, as in other demographically advanced countries comes hand-in-hand with massive incorporation of women into the labor market and with an increase in female headed households (Kilkey and Bradshaw, 1999). Likewise, the de-industrialization process affects employment based on specific non transferable skills and raises the level of educational credential and human capital needed.¹ The weight of social inheritance starts to show more crudely condemning people with insufficient social assets to unemployment, poverty and eventually to social exclusion.

A welfare state model or a social state architecture based on formal employment and its occupational categories, oriented to the male breadwinner and the hypotheses of the nuclear biparental model is radically dissociated of this new risk structure. This does not mean that the positive legacy of such a model must be underestimated (Filgueira F, 1998, Filgueira and Filgueira, 2002; Huber and Stephens 2004). This model guarantees basic protection for the elderly who receive benefits under the old welfare architecture. But because of this past achievement and the powerful stakeholders it has created in an ageing society young people, children and women, and very specifically young women with children are left bereft of robust state protection for their particular risks. In Uruguay, the state response to the transformation of

¹ In particular the destruction of industries that relied on very specific skills that were largely acquired through on-the-job training in soap factories, rubber and tire factories, glass, industrially finished garments and textile industry among others. The end of the import substitution model destroyed most of these industries. The service economy took on a larger portion of employment, requiring in many cases, high school (lower and upper) as a proxy for basic language, computer and problem solving skills as well as using this filter to recruit young men and women from the middle classes.

the quantity, quality and distribution of social risks has been slow, fragmented, and up until the year 2005 –with the exception of education and shy attempts in family allowances- plainly wrong. After the left wing government took office in 2005, more promising developments can be seen, though this is still an ambiguous landscape.

The Uruguayan social state still honors its past. Its past architecture and its past in terms of generational orientation of social spending reflects the continental welfare genotype in an ageing society. Almost 60% of social expenditure goes to social security and welfare (social security and family cash benefits), and 83% of this expenditure goes to old age cash benefits (BPS 2000). This social expenditure reaches those people who have been in the formal labor market for long and stable periods as well as for non contributory pensions which, actually represent a small share of this expenditure (around 10% according BPS 2008). Given that formal and stable employment is becoming a less frequent phenomenon in the country, the effect on the possibilities of social cohesion and equity are devastating since it widens the gap between those in and those out of the system.

In a context of population aging, expenditure on health shows a strong bias towards the elderly, developing a model of high specialization and technology for expensive treatments of cardiovascular and degenerative diseases. At the same time, in order to access quality services, this system requires formal employment. Between 1970 and 2005, the public health system was sought as residual. The current social vulnerability of mothers and children living with very low incomes, low employment formalization and high health risk did not find an adequate response in the existing welfare architecture. The health care reform of this last period (2006) confronts some of this problematic, but leaves a number of dilemmas unanswered.

The reality of the educational system is somehow different. The welfare architecture seems to meet, at least between 1995 and 2000, the risk structure: full time schools for social vulnerable sectors, quasi universal pre-school system for children who are four and five years of age and a strong attempt to adapt middle secondary school to the new context. The above shows an effort which, even with its ambiguities, recognizes the changes that the Uruguayan society has

undergone in a better way than other sectoral areas². Nevertheless, the inability of the secondary education system to accept, retain and educate youngsters from disadvantaged socioeconomic backgrounds still persists, causing high repetition and drop-out rates, as well as severe efficacy and equity problems in terms of learning achievements³. Furthermore, since 2000 the reform has lost its momentum affecting the gains and casting doubt on the robustness of the previous achievements.

We argue, then, that the social state has failed, up to the turn of this century, to perform three of its traditional duties. First, it has been failing to mitigate and stop the increased level of vertical inequality⁴ and its intergenerational transmission (socioeconomic stratification). Secondly, the social state has been incapable or too slow to create social protection devices in terms of horizontal equality (social differentiation according to population categories and concurrence of new risk groups in terms of cohort, gender, family types, etc). In the third place, the Uruguayan social state has failed to slow down the superposition of vertical and horizontal inequality. In other words, today there are strong correlations between classifications by cohort, education and family arrangements and levels of inequality and poverty which the state and its social protection systems are not able to untie.

In short, the risk structure and state response to it were dissociated for a long time. An unequal public management of social risks and an inadequate social policy system replaced the formerly not perfect but functional social state. In particular, the Uruguayan welfare state has been, until recently unable to redistribute the responsibilities and provision of care. The transformations taking place since 2005 suggest a more responsive state, but one that by no means is yet on a robust and clear path to reconnect risk and protection. Before getting into the data that supports

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