

## SOCIAL PROTECTION POLICIES TO FACE THE CRISIS AND FOR GROWTH

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Latin American countries faced the recent crisis by extending the coverage of their social protection programmes in order to benefit workers and their families affected by loss of employment and risked falling into poverty. Given the labour market structure in the region, this effort was made in two dimensions: contributive protection instruments for wage-earners, on the one hand, and measures addressed to the informal sector with effect on low-income families, on the other. In the two foregoing areas, the operation of unemployment insurance and the conditional transfer programmes are noteworthy. However, the importance of social protection extends beyond the urgencies derived from the crisis because, together with economic growth and job creation, it is a key tool for driving development and reducing poverty. Consolidating the developments initiated in these years would help to advance towards higher levels of social protection.

### 1. Introduction

In terms of social protection policies during the recent economic crisis, the importance that unemployment insurance programmes can attain in countries where this instrument is available is remarkable, together with conditional transfer programmes. Initiatives are also observed aiming to improve other components of the transfer system, as happens in some countries in the context of social security pensions. In the latter case, the initiatives aimed to simplify entry conditions to access these benefits, in order to counteract the labour market difficulties faced by workers in the final years of their working history (Uruguay) or the expansion of non-contributive programmes (Chile). Although in these two countries reforms were planned before the crisis, the latter accelerated introduction of amendments and implementation. In addition, other countries have strengthened or expanded transfer programmes more closely linked to the labour market, as is the case of Argentina with the Employment and Training Insurance (*Seguro de Empleo y Capacitación*) or the Youth: More and Better Work Programme (*Programa Jóvenes Más y Mejor Trabajo*).

### 2. Unemployment insurance

With regard to unemployment insurance, several countries introduced amendments addressed to extending coverage and improving benefits, such as Chile and Uruguay, where this instrument was under review before the onset of the crisis. In addition, in the case of Brazil, Chile, and Uruguay, changes were made to their implementation during the course of the crisis, in different forms, for the duration of unemployment increases and the prospects of rehiring diminish at those times.

In Brazil unemployment insurance was extended for two additional months for workers in sectors highly affected by the crisis (mostly mining and steelmaking). In Chile, together with incorporating permanent measures to facilitate access to benefits, especially for workers under fixed-term contracts or service contracts, the possibility of extending benefit duration for two additional months was introduced when the rate of unemployment rose

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beyond the average of the last four years, plus one percentage point, the rule being applicable in general and not to workers of specific sectors. In this case, although reforms to Unemployment Insurance have helped to correct its main shortcomings, they were especially timely to face the effects of the present crisis, given that despite the rise in unemployment, protection coverage for the unemployed was maintained.

In Uruguay the reform permitted extending subsidy duration in the event of economic recession in the country (defined as two consecutive quarters of negative growth). However, as Uruguay did not undergo recession, the mechanism was not activated on this occasion. This is also a general coverage mechanism for all sectors of the economy.

Although in Uruguay the number of unemployment insurance beneficiaries owing to lay-offs increased, there was also a significant increase due to suspensions. When undergoing difficulties, enterprises can send workers to unemployment insurance for a maximum of six months without having to sever the labour relationship. To this end, part of the labour force is suspended, with the possibility of reintegrating them into work once the situation is reversed. This formula avoids losing valuable human capital for the enterprises, at the same time facilitates reintegrating the workers under the same working conditions in effect prior to their suspension. Given the brevity of the crisis in Uruguay, the instrument seems to have been quite effective in this case. There is also some evidence that enterprises resorting to this form of insurance turned over the suspended workers, so as to reduce to a minimum the time each one was out of their post. This was possible thanks to the good labour relations generally characterizing Uruguay, thanks to which worker costs were reduced to a minimum through dialogue between union and enterprise.

Unemployment insurance constitutes a typically counter-cyclical instrument activated automatically. To the extent that unemployment increases, together with the resulting unemployment insurance benefits, such additional resources help to maintain family income and reduce the drop in consumption. It would be advisable, however, at a later date to assess the outcomes and possible problems arising while applying the amendments made, including sufficient replacement rates, benefit duration during the crisis when simultaneously more time is spent searching for a new job, effective coverage of beneficiaries, in addition to gauging the optimum supplementary provision of employment services.

### **3. Conditional transfer programmes**

As we know, not all countries in the region have unemployment insurance, and where it does exist, coverage tends to be low; for these reasons both emergency employment programmes and conditional transfer programmes play a major role in extending coverage. Several countries have been developing the latter programmes aiming to correct structural problems, with action mainly related to promoting education and avoiding school attrition. Although significant differences are observed in the region in terms of education indicators, the great majority of countries can be said to show low levels of schooling, high drop-out rates at different levels of schooling, and, in general, low quality of education. Nevertheless, it is clear that the more extensive their education cycle, is, young people will have better chances of obtaining a satisfactory job. Consequently, transfer programmes requiring that young people remain in the education system are a strategic decision to raise labour competitiveness for these future workers, as well as for the country in general.

With the advent of the crisis, several countries have strengthened these programmes in the understanding that loss of employment by the head of the family or another member of the household increases the risk of school drop-out. If under normal circumstances, such early work is at high risk of being precarious in a scenario of crisis and of lack of opportunities for good job positions, such risk will be even higher, to the detriment of labour development in the long term. Therefore, in crisis situations such as the present one, it appears advisable to strengthen these programmes, given that not only will they alleviate current circumstances (by avoiding heavier pressure on labour supply from young people), but will they also be responding to a long-term development strategy.

El Salvador and Paraguay have recently introduced this instrument, which, although incipient, has helped beneficiary families to face the crisis. In Brazil, the *Bolsa Escolar* Programme extended coverage by 1.3 million additional families. In Argentina the non-contributive *Asignación Universal por Hijo* programme was implemented in November 2009, consisting in a semi-conditional money transfer for children and teenagers (tied to compliance with required schooling and vaccination), which has reached 3.5 million beneficiaries. In Costa Rica, the *Avancemos* programme aims to reduce school attrition at secondary level. Started before the crisis, the programme extended coverage by 20,000 additional families at risk, totalling 150,000 families. The

programme is intended not only to avoid early joining the labour market by young people, but essentially to achieve universal coverage of secondary education.

In brief, extension of coverage and the benefits of unemployment insurance and of conditional transfer programmes are supplementary policy lines, especially in view of the large number of informal workers not benefiting from unemployment insurance. In countries where this instrument for social protection of workers is still not available, it is important to study the conditions for introducing it promptly.

## **4. Consolidating social protection**

Social protection satisfies an elementary need: protecting individuals in an unforeseen situation and reducing poverty. In addition, it performs an economic function consisting of sustaining demand, especially when there is a reduction in income. It has been shown that, in the long-term, social protection helps to develop human capital and labour productivity, thereby contributing to the sustainability of economic growth.

In Latin America, the measures adopted against the crisis have increased the extension of social protection. From the very beginning of the crisis, many countries extended unemployment benefits, medical insurance, old-age pensions, and family subsidies. Some of these measures were addressed to low-income and more vulnerable households in order to begin consolidating a social protection floor.

Many developing countries took advantage of measures in response to the crisis to introduce structural changes designed to extend the coverage of social protection benefits. In Brazil, for example, domestic demand was sustained thanks to the extended benefits available from social security and social programmes, a significant rise in minimum wages, fiscal incentives for purchase of motorcars and durable consumer goods, mostly local products, and more extensive credit facilities through public development banks. These are integrated responses by policies, empowering their efficacy.

It is important to point out that the above lessons are valid not only in times of crisis: setting up a social protection floor, together with sound economic growth and a rapid job-creation process, constitute three measures necessary to relieve poverty and achieve sustained development. The outstanding results of the struggle against poverty in Brazil, China, and India are explained precisely by the concurrence of these three policies.

Though universal coverage derived from basic social protection is still a distant aim for many countries, in the last decade some have adopted significant measures to extend basic health services and to establish social transfer programmes on a large scale, two important elements for consolidating basic social protection. These programmes were reinforced during the crisis and many governments have announced the adoption of development plans that include measures for significantly extending the coverage of their social protection systems.

**Table 1**  
**Examples of Conditional Transfer Programmes in Latin America**

Country / initial year	Name	Aim	Condition	Beneficiaries	Geographical Coverage
Argentina, 2009	Universal Child Allowance	To guarantee social protection for children and teenagers up to the age of 18, in families where parents are unemployed or are informal workers. Universal rights for vulnerable families, ensuring an income, education, and health, for children and teenagers.	Compulsory vaccination plan and health checks required up to 4 years. From 5 to 18 years, accredited school attendance.	Children and teenagers up to the age of 18 years when parents are unemployed or are informal workers, social monotaxpayers, and domestic workers.	National
Brazil, 1997	<i>Bolsa Família</i>	Foster overcoming poverty by direct income transfer to families; strengthening basic social rights to health and education, and coordination of supplementary services.	School attendance by children and teenagers of school age, and regular health checks for pregnant women and children.	Families in extreme poverty and poor families with children under the age of 15.	National. Covers approximately 45 million people, equal to 25% of the population.
Chile, 2002	<i>Programa Puente Chile Solidario</i>	Progressive realization of economic, social and cultural rights of individuals in extreme poverty to satisfy their basic needs and overcome their current living conditions.	Minimum conditions for quality of life in the following dimensions: identification, health, education, family dynamics, labour and income, among others.	Families in indigence	National, 330,000 families
Colombia, 2001	<i>Familias en Acción</i>	Protect and Foster human capital formation among children aged 0 to 17 years in poor homes, through support for family investment in health, education, and nutrition.	80% school attendance and attending health centres for children growth and development check-ups.	Poor rural and urban families with children aged 0 to 17 years, not beneficiaries of Community Home and Employment Action (Hogares Comunitarios y Empleos en Acción).	1.7 million Households, 32 Departments, and 1093 of the 1098 Municipalities.
Costa Rica, 2000	<i>Avancemos</i>	Promote access and stay in the education system for children and teenagers in situation of poverty through economic incentives.	Attend school, not using coupons for goods not covered, and not transferring the coupons.	Poor families with children aged 7 to 18 years that attend school.	129,000 individuals, extending to 150,000
El Salvador, 2005	<i>Oportunidades</i>	Reducing conditions of vulnerability and increasing the number and quality of opportunities, and achieving the Millennium Development Goals.	Attending pre-natal check-ups, and also check-ups for growth and full vaccination (children under the age of 5). Regular school attendance for children aged 5 to 15.	Families in extreme poverty with children under the age of 15 years or women pregnant at the time of registration.	12,000 households
Mexico, 1997 & 2002	<i>Oportunidades</i> (former <i>Progreso</i> )	Support for families in extreme poverty, for capacity building and extending alternatives through improving education, health, and nutrition.	85% school attendance, and attending health centres and health and nutrition workshops.	Poor families with children aged 8 to 18 years in primary or secondary education, infants 4 to 24 months old, children aged 2 to 5 years with malnutrition, and pregnant and breastfeeding women.	Approximately 25 million individuals, almost 24% of the total population.
Paraguay, 2005	<i>Tekppora</i>	Mitigate and overcome conditions of extreme poverty, prevent inter-generational transmission, and strengthen the opportunities for children through access to education, health, nutrition/meals, identification, living conditions, among others.	Health and education	Families in situation of extreme poverty, residing in rural areas of the country with children and teenagers.	62,143 families
Uruguay, 2005	<i>Plan Equidad</i>	Ensure rights, especially for the most vulnerable, leveling opportunities for access to social services, employment with decent wages, and basic social benefits.	School attendance up to 3rd Secondary Year, health check-ups, and attending training. Creation of Ways Out ( <i>Rutas de Salida</i> ).	Priority given to poor population with children under the age of 18.	Target of 500,000 beneficiaries

Source: Based on UNDP, 2010. Social Policy in *Response to the Impact of the International Crisis in Latin America*