



Chapter I

Rights-based development and a social protection covenant

The challenge of universalizing and improving social protection has become a subject of political and academic debate, news headlines and soul-searching in Latin America and the Caribbean. Many people in the region are plagued by uncertainty regarding future employment, health care, social security coverage and household income.

It is therefore vital for the region's societies to agree on ways to combine rights-based development with the institutions and policies that will produce and allocate the resources needed to make those rights a reality. To accomplish this, social covenants will have to be forged between the various agents of the State and civil society within the framework of appropriate social institutions and authority to provide the necessary political strength and viability to move in that direction (Machinea, 2005a). These social pacts will also have to encompass fiscal covenants in order to ensure that the resources needed to implement such agreements will be available.¹ This set of conditions will permit a gradual expansion of social protection systems' accessibility, financing and solidarity components.

¹ Fiscal and social covenants are not new concepts in ECLAC thinking. See the discussion concerning such a fiscal covenant formulated by ECLAC (1998 and 2000a) and, more specifically, the proposal regarding a covenant of social cohesion put forward in a substantive document presented at the thirtieth session of ECLAC (2004b).

The starting point for this study is therefore the principle that a rights-based approach should be used in framing public policy. The civil, political, economic, social and cultural rights enshrined in binding national and international agreements should form the normative framework for development. This calls for a social contract or covenant that would then be given political expression in both legislation and public policy. Democratic institutions provide the only means of creating such a covenant and ensuring it is established and implemented in accordance with legal principles. Democracy manifests itself through political agreements, and the fact that the region's countries embrace democratic values and ethics-based global accords and principles places social protection at the point where policy effectiveness and the normative power of social rights converge. Social protection is not simply something that society or governments achieve: it is an imperative which citizens have a right to demand.

This study therefore seeks to address the challenge of combining the ethical aspect of social rights with viable ways of strengthening citizens' entitlement to such rights in highly inequitable and relatively poor societies. It includes an exhaustive analysis of various aspects of social protection systems (health care, social security and poverty reduction) and their potential to guarantee social rights in structurally heterogeneous societies in the light of the need to build a social consensus regarding those rights and to have institutions that will act upon that consensus.

State institutions must be both technically and politically competent in order to provide citizens with the necessary legal and public policy mechanisms to demand their rights. It is also important for the universality of social rights to be internalized by all the various stakeholders in the spheres of employment, education and health, as well as by centralized and decentralized State authorities, so that day-to-day practice and policy decisions will all be geared towards a rights-based society. Until fairly recently, many Latin American countries were governed by authoritarian regimes that typically imposed harsh limitations on political and civil rights. Even in the more recent past, social rights have not always been fully applied or institutionalized, as will be discussed in greater depth in a later section of this document. In addition, the institutional context in which regional public policy has sought to promote rights has not been adapted to the variety of employment situations, living conditions and family structures that influence the social risk profiles of Latin American and Caribbean societies.

The effort to establish a social covenant must also, however, be accompanied by an assessment of existing financial constraints and of possible policy mechanisms for overcoming them. It is not only a matter of developing suitable technical approaches for optimizing the production and use of resources; it is also, in the final analysis, a political challenge involving the decisive yet delicate issue of the distribution of those resources. More egalitarian societies that are equipped with the necessary political and technical resources can boast greater achievements in terms of social protection and are therefore in a better position to make the concept of "social citizenship" (genuine and universal entitlement to social rights) a reality than societies with a similar level of development but a higher concentration of income and benefits. Furthermore, a better distributive structure not only facilitates the financing of more inclusive social protection systems, but also contributes to the design of suitable institutions and policies because it predisposes participants to seek common guidelines and agreements. The tax burden and structure, the expansion and selectivity of social spending and, to a certain extent, labour regulations are crucial yet controversial aspects of progress in the area of social protection based on an improved distribution of costs and benefits.

Nonetheless, providing access to social protection and financing its benefits also demand a rapid pace of economic growth, however. The array of possibilities open to individual countries depends on their level of development. It is therefore important for right-based development to mobilize society and the State by generating greater financial resources, and the additional resources aimed at generating economic growth must be used in a way that fits in with that vision of

development. This does not mean that the region's countries should wait until their GDP reaches industrialized-country levels before expanding social rights, but it is important to have an increasingly progressive resource base in order to ensure more and better access to the benefits, assets and services that will enable citizens to exercise their social rights more fully.

This document is based on the premise that achieving qualitative leaps forward in terms of the quality and coverage of social protection systems requires a political covenant or agreement as to the kind of society that we want. The dimensions of such a covenant are threefold. The first dimension is an ethical one, as this type of covenant must be governed by the principles enshrined in binding universal human rights accords, which assert that all people should have access to sufficient resources to provide them with a decent quality of life. The second dimension is a procedural one that involves the mechanisms needed to facilitate dialogue between social and political actors and to transform agreements into normative tools that can in turn be converted into policies. The third dimension has to do with the content of social protection, which should guide concrete actions in areas where people feel the most vulnerable, such as health, social security and a source of income to cover basic needs. In summary, the proposed covenant should translate people's rights into policies, mechanisms and benefits, define acceptable levels, progressivity indices and growth rates, and include agreements on how to apply the principle of solidarity through a variety of different mechanisms having redistributive implications. This document's aim is thus to provide substantive inputs for those agreements, on the understanding that political accords reached as part of democratic process make it possible to reorient development based on the universality of human rights.

A social protection covenant based on economic, social and cultural rights should include the three key elements that turn social policy into a tool for promoting equity: universality, solidarity and efficiency. As expressed by ECLAC, "...universality does not do away with the need to apply particular degrees of selectivity, and it cannot provide a basis for levels of protection for which financing is simply not available; the degree of solidarity must be compatible with the demands of social integration and with the structure of income distribution; and efficiency cannot be viewed solely in microeconomic terms, but must ultimately be understood as the capacity for maximizing social objectives within a context marked by the scarcity of resources" (ECLAC, 2000a, p.13).

This study explores ways of extending social rights to the whole of society in a region where most countries suffer from major structural inequalities, have high levels of poverty and attain moderate yet volatile levels of economic growth. This cannot be determined until we decide just how much inequality is ethically tolerable and whether or not there is a certain point after which this very inequality, rather than low average income, is what prevents us from making such rights (including social protection) universal and enforceable. This question is considered in the context of health (chapter III), social security (chapter IV) and poverty reduction programmes (chapter V). Chapter II examines the difficulties and challenges of extending contributory and non-contributory coverage, from the perspective of labour market dynamics and public finance. The cornerstones of this analysis and of the proposals that stem from it are income and equity thresholds, policy efficiency and effectiveness, and the institutional design needed to foster the necessary political support and implementation capacity for the application of such policies.

This first chapter sets out the general framework for the formulation of the specific sector-based proposals outlined in the other chapters. It is divided into three parts. The first explores the concept of rights-based development as such and provides background information. Within this context, human rights are regarded as a single, indivisible construct of civil, political, economic, social and cultural rights. Nonetheless, within that framework, special emphasis is placed on social rights, as they are the most significant category in the context of social protection systems. The

second section of this chapter examines barriers to the full exercise of social rights in the light of socio-economic and human development indicators. It also outlines the difficulties and trade-offs involved in attempting to reconcile the expansion of social rights with the constraints associated with the distribution and availability of resources. The third part places the debate in its historical and institutional context by relating it to the various models of the welfare State and their implications for social protection. In the course of this discussion, a social covenant entailing a procedural dimension, as well as substantive components, is advocated. Such a covenant is, as noted earlier, essential in order to lend support and viability to the policy reorientation required in order to couple the development process with full social rights and social protection systems based on the principles of universality and solidarity.

Box I.1

ENFORCEABILITY OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS

Although the body of international standards and agreements on human rights has been the starting point for entitlement to such rights, the latter has also been shaped by the way in which those standards have been transposed into constitutions and laws, which have in turn been translated into policies and practices that govern the democratic relationship between the State and civil society. The final step in this process comes when the entitlement to such rights eventually passes over from *de jure* to *de facto* status.

Robert Alexy (1993) proposes that four elements be considered in constructing modalities of justiciability. The first is whether or not the rights in question are subject to constitutional control. The second is whether or not the standards refer to objective duties (the general obligation of the State to provide suitable programmes) or subjective rights (an individual's right to demand access to a programme or benefit). The third is whether or not the rights are formulated as absolute rules (enabling each individual to demand that the State apply that standard or rule to him/her) or simply as principles (to be applied only where legally and factually possible). The fourth is whether the notion of social rights refers to a maximum or minimum level of well-being.

These variables can be combined to produce different forms of legal protection. At one extreme, the maximum level of protection for social rights would be attained when such rights are constitutionally protected, subjective, complete (i.e., rights to full coverage) and are backed up by a set of explicit rules. At the other extreme, social rights having a minimum degree of justiciability would be those that are not protected by the constitution, that are not subjective rights but instead give expression to objective duties of the State, that are structured in the form of principles and that are aimed at establishing a basic minimum (as opposed to maximum) level of well-being (Vicente de Roux and Ramírez, 2004, p. 20).

From the standpoint of global justice, States that have ratified the International Covenant on Economic, Social and Cultural Rights are bound to protect, respect and promote those rights. However, the potential financial implications of fully applying the rights contained in the Covenant have given rise to the concept of progressivity, which acknowledges that the process is a gradual one and compels States to guarantee the rights "to the maximum of its available resources", which leaves the necessary decision-making as to priorities and amounts open to the influence of political will and democratic processes.

In accordance with the concept of progressive obligation, all States parties, regardless of the extent of their national resources, are committed, from the very outset, to taking steps to enforce those rights as expeditiously as possible. Endowing such rights with a tangible form often involves passing legislative measures, which may or may not have to be supplemented with regulations, other legal and administrative measures, and political, economic and social decisions in order to ensure that they can be effectively exercised. Under international law, no interpretation is acceptable that permits States to defer the implementation of their obligations indefinitely (ECLAC, 2000a and ECLAC/IIDH, 1997).

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Development with rights and the right to development

A human-rights-based approach to development ²

The rights-based approach has been gaining more and more ground, not only as an ethical foundation for Latin American and Caribbean democracies, but also as a normative and programmatic framework for social development. The Universal Declaration of Human Rights adopted by the United Nations in 1948 establishes three types of rights which all form part of an indivisible whole. One of these categories, that of civil rights, refers to individual liberties and freedom from State coercion, and includes: the right to freedom of opinion and expression; the right to freedom of peaceful assembly and association; the right to freedom of thought, conscience and religion; the right to own property; and the right to justice. The category of political rights includes the right to take part in the government of one's country, directly or through freely chosen representatives, and the right to equal access to public service. The other category, that of economic, social and cultural rights (ESCR), includes the right to work, to free choice of employment, to social security, to just and favourable remuneration, to rest and leisure, the right to a standard of living adequate for health and well-being, to shelter and to participate in the cultural life of their community.

Social rights are increasingly invoked as a guiding principle for social policy, both among political actors and within international agencies, partly because social rights open the way to the incorporation of the principle of universality in the provision of social assistance and welfare services (Gordon, 2003). Unlike civil and political rights, the exercise of economic, social and cultural rights demands greater social progress and equality.³ The recognition of these rights as genuine imperatives lends greater urgency and strength to the asset distribution mechanisms that facilitate progress towards less exclusive societies. Far from being a dichotomy between rights-based development and approaches that prioritize economic growth, this calls for an effort to find first-best solutions that provide for economic growth within a policy framework that promotes social citizenship while also contributing to political stability (through the mitigation of social differences), democracy (by linking it to a widespread increase in well-being) and human capital formation (thanks to broader access to education and health care).

Once economic, social and cultural rights have been established as inalienable rights ratified by governments, it is no longer possible to consider social citizenship as secondary to or contingent upon civil or political citizenship. The rights-based approach thus does away with the linear perspective by refuting the supposition that civil and political rights have to be guaranteed first, and that social rights can only be attended to once the former have been fully instituted.⁴ In point of fact, a broad consensus exists as to the interdependence of respect for civil liberties, the exercise of political rights and people's access to goods, services and benefits that guarantee or promote well-being.

Inasmuch as respect for economic, social and cultural rights implies that it is the State's duty to promote greater integration in employment, education, information, knowledge, social safety nets and networks of social interaction, upholding those rights helps to strengthen citizens' capacity to participate in political institutions, public dialogue, civil associations and cultural exchange. By the same token, the greater the degree of equality in terms of the exercise of political rights and citizenship (in the republican sense of the word, i.e., citizens' involvement in public affairs), the greater will be the participation of excluded groups in decision-making processes that influence distributive policies and, hence, the greater the likelihood that political citizenship can be translated

² Previous ECLAC documents have sought to link the region's social and economic development with the framework afforded by human (particularly economic, social and cultural) rights. See ECLAC/IIDH (1997) and ECLAC (2000a).

³ This document uses "ESCR" (economic, social and cultural rights) and "social rights" interchangeably, not because the two terms are synonymous, but because the issue of social protection is subsumed by ESCR as a whole and by social rights in particular.

⁴ Having said this, it should nonetheless be remembered that the enforcement of social rights is a progressive process and will vary depending on the situation in the individual countries.

into social citizenship. The aim is therefore to develop links between the public voice, social empowerment, access to social protection benefits and the creation of opportunities through the development of human capital. Steps must be taken to reverse the asymmetry existing between those who make themselves heard by using their political and collective bargaining power to ensure their rights are protected and those who have less power and influence and who therefore find themselves unable to exercise those same rights. A social order based on social rights therefore needs to tip the balance of power and influence to avoid the vicious circle in which the most socially excluded are also the weakest in political terms.

Development guided by the normative framework of human rights tends to focus on the following aspects of living in society: productive development that goes hand in hand with the full exercise of individual liberties; a democratic order with truly representative mechanisms for settling disputes, applying policies and distributing power which encourages the involvement of the whole of society; distribution and service systems that, within the limitations imposed by the volume of resources produced, optimize the satisfaction of basic needs and the protection provided to the entire population; a labour market that respects the right to a decent income and operates as a genuine catalyst for social inclusion based on the mechanisms existing in other spheres of society; and full respect for cultural diversity and its manifestation in appropriate institutions so as to ensure that all individuals and groups have the right to be free of discrimination on the basis of cultural factors or affiliation and are free to live their lives according to their personal values while fully respecting the rights of others.

Applying a human-rights based approach to certain aspects of social protection brings us into the realm of enforceability, in which rights holders should be seen as citizens demanding their legitimate right to resources and services. This approach has identified a dynamic and progressive set of State obligations relating to economic, social and cultural rights, such as the right to an adequate standard of living, which presupposes the provision of universal social services and equal access to relevant goods and services.

Social rights and citizenship: concepts and trade-offs

Development based on social citizenship must be founded upon a decision on the part of all members of society to live together as equals. This does not mean that all members of society must have the same lifestyle and way of thinking, but it does require an inclusive institutional structure that guarantees everyone the same opportunities to enjoy the benefits of community life and take part in the decisions that govern it. In this sense, poverty is not simply a socio-economic condition characterized by a lack of access to minimum basic necessities and of a share in collective progress due to the gap existing between the income of the poor and the average income in that society; the position of being poor or excluded is, above all, a lack of citizenship or of the preconditions for citizenship associated with the denial of social rights and the right to participate.

In this context, being socially protected is the consequence of a basic right to belong to society, the right to participation and inclusion. Based on this fundamental notion of belonging, citizens' rights are understood as the ability to enjoy a standard of living that is in keeping with the average levels of progress and well-being within a society. Social citizenship, in the sense of belonging to a community, means that deliberate State action can be taken to rein in the economic inequalities that, beyond a certain point, prevent many members of society from truly belonging to it.

Because the enjoyment of economic, social and cultural rights requires public capacity, institutions and resources, it takes time to increase the enforceability of such rights, and their extent of enforceability will inevitably vary from one society to another. Enforcement also requires a system for improving those institutions, extending the provision of resources and assets, and

making progress in processing social demands. A social covenant built on economic, social and cultural rights endows society with a horizon that provides it with a sense of direction. This type of social covenant should also help to determine exactly what forms such social rights should take, i.e., the range of benefits and assets for which all citizens are eligible and the time frame that society sets itself for making the full enjoyment of those rights a reality.

However, the fact that rights are implemented gradually does not make them any less obligatory; hence the need for institutional procedures that can serve as a basis for political and policy action aimed at making social rights truly universal. This sphere of institutional action encompasses major ethical and political questions. Who decides (and how) which benefits fully meet the social right to health and education in dynamic societies where a population's health status changes as its demographic and epidemiological profiles evolve, while education is raising the minimum requirements needed to increase a person's chances of being able to take part in production activity? And how are we to guarantee the right to work in an information economy that is downsizing its workforce, a volatile economy that contracts and expands rapidly, or an economy that has reached a turning point in its history where the relationship between higher productivity and increased employment is far from clear?

In addition, the quantity and quality of the social benefits that make these rights a reality depend on the availability of financial and economic resources generated by the market and on whether public institutions perform their oversight functions effectively enough to capture some of those resources, optimize their use in the realization of social rights in areas where they are in shortest supply, and build a consensus for those resources' redistribution between economically active and non-economically active members of society or between the rich and the poor. Furthermore, transfers do not take place only between the rich and the poor, but also between the poor and middle-income groups, or between one group of poor people and another. When limited resources mean that transfers can only be made to one group (such as poor children), another vulnerable group (such as older adults or ethnic minorities) is implicitly excluded from a potential benefit.

In addition, it is unclear how the concept of enforceability can be applied to quality standards and achievements, especially in the case of social programmes whose results are only seen over the long term and in situations where the levels regarded as being appropriate thresholds for the fulfilment of each need change over time. A century ago, for instance, an illiteracy rate of less than 30% and a coverage rate for basic education of 80% were considered a success, whereas today the right to education is usually measured in terms of full preschool coverage, a secondary-school completion rate of at least 75% and the eradication of illiteracy.⁵ A life expectancy of 65 years may have been an optimum expression of the right to life in 1960, but it would not be considered so today.

According to Gordon (2003), a formal distinction should be drawn between social rights, which can be guaranteed because people have the option of initiating legal proceedings in order to demand them, and the social services supplied by a political system in response to a systemic demand for social integration, political legitimation and public order (Gordon, 2003, p. 11). The first notion is limited to rights in their legal context, whereas the second concept defines the scope of social policy and is the main focus of this document.

By the same token, a distinction should also be drawn between the individual demands of rights holders as such and the collective minimum levels that are set using a criterion of progressivity in keeping with the State's capacity to offer the benefits in question. These two types of considerations are not only different, but may actually clash in some cases. Conflicts may also

⁵ The Heads of State gathered at the second Summit of the Americas (Santiago, Chile, April 1998), adopted a plan of action that set out those goals in the area of education to be achieved by 2010. Other indicators include repetition and dropout rates (or, inversely, average progression rates) and effective learning thresholds, which all refer more to the quality of education than to coverage.

arise between the enforcement of an individual's social rights and the expansion of those rights' coverage. This sets up a dichotomy whereby the more intensive the enforcement of given individuals' rights is, the greater the extent to which the effective universality of those particular rights may have to be sacrificed (Vicente de Roux and Ramírez, 2004, p. 40). This is especially the case when resources are scarce, but it also holds true when changes are made in the public-private mix of service delivery components and when social protection services are redefined, thereby making it necessary to readjust the balance between the rights of the individual and the universality of social rights.

This final point will be analysed in greater detail in subsequent chapters. Selection criteria need to be applied to low-income groups in order to extend the effective enjoyment of rights to those who have been most deprived of them. In the case of universally recognized needs and rights, the State may give particular support to those who are not in a position to sustain themselves and whose voice is seldom heard in public discussions. Thus, far from running counter to the universal nature of social rights, selectivity and targeting —when used correctly— are redistributive instruments that can be employed to ensure, while taking into account the available resources, the exercise of a given social right for those who have been denied that right. This cannot, however, justify a policy under which the State would provide services and benefits to the poor alone, since such an approach would be in contradiction with the universal nature of social rights and would leave a wide section of middle-income groups in a vulnerable position and without funding for benefits in such areas as education and health.

Finally, combating inequalities based on ascriptive factors calls for the use of institutional affirmative action on behalf of disadvantaged groups. Expressed in extreme terms, this implies subordinating individual universal rights and the principle of equality before the law in favour of recognition for the specific rights and benefits of certain groups. The same argument used in the case of selectivity also applies here, inasmuch as allocating resources to the most vulnerable groups (or those most deprived of social citizenship) increases the total number of people exercising their entitlement to social rights. In order to remedy inequalities in the enjoyment of social rights, steps have to be taken to foster what might be referred to as “equality of life experiences”, as well as promoting equal opportunities. Selectivity and affirmative action can therefore have a positive influence both in terms of ensuring equal opportunities at the outset and in reducing inequality in terms of outcomes. Although equal opportunity is the defining principle of equity, people from different backgrounds in terms of origin, socialization, geographical location or identity may face greater or lesser obstacles in taking advantage of existing opportunities. Asymmetries in terms of information, quality of service, access to social networks, recognition and opportunity costs result in different life paths, even when equal opportunities are strengthened at the outset through measures such as universal access to basic education. Selectivity and affirmative action are therefore useful means of at least partially offsetting such asymmetries.

The exercise of economic, social and cultural rights calls for progress in the areas of social policy, tax structure, the targeting and scale of public social spending, the regulation of capital and labour, policies for promoting the formation and maintenance of human capital and the effects in terms of redistribution and increased opportunities, mitigation of social costs through the use of countercyclical policies to dampen economic volatility, efficiency in policy management in order to optimize the effects of programmes and policies that target disadvantaged groups, family welfare policies (including childcare and elder care) that facilitate women's entry into the labour market, limits on financial predation and speculation, and strong anti-discrimination policies designed to reverse inequalities based on ascriptive traits.

Economic, social and cultural rights in Latin America: major shortfalls, major challenges

In terms of human rights policy and standards, the region's progress over the last 20 years in the promotion of civil and political rights has differed markedly from its rate of advance in the area of economic, social and cultural rights. In the case of civil and political rights, many countries in the region have been making rapid headway in institutionalizing democracy and restoring the rule of law. Today, virtually all the countries in the region have popularly elected leaders (presidents, members of parliament and mayors or governors). Freedom of thought, expression, religion and association is almost universal, although problems remain in terms of the workings of the legal system, corruption, a lack of effective participation in political debate and representation, and the persistence of discrimination on the basis of race, gender and place of origin. The most striking case, however, is the area of social protection, where corporate lobbies and interest groups bring pressure to bear in order to obtain sinecures or advantages over other groups and succeed in doing so because they wield more de facto power, have partisan links with the government or better networks of contacts. In most cases, the countries' governments are taking steps to rectify this situation, although the pace and intensity of those efforts differ considerably from country to country.

The region has not made the same sort of progress in the area of economic, social and cultural rights, at least in relation to poverty and income distribution. The region's societies and economies still exhibit structural factors of exclusion, such as segmentation based on people's roles within the production apparatus, ascriptive traits or geographical location, as well as markedly inequitable access to assets and property. All of these factors perpetuate and reinforce inequalities and prevent progress from having the types of distributive effects associated with economic, social and cultural rights.

Furthermore, progress in this direction is held back by new risks and constraints related to economic volatility, external vulnerability, changes in labour patterns and the growing role of power groups. Not only does this situation give rise to greater demands for social protection in the light of the countries' economic vulnerability, but it also erodes States' capacity to respond to their citizens' demands, thereby making social inclusion and protection even more difficult to achieve. Rigidities in income distribution, problems encountered in reducing the number of poor people, declining and increasingly precarious employment, and the procyclical nature of public finances all illustrate this state of affairs.

Economic volatility has a particularly negative social impact, as it hampers governments' efforts to expand social investment in the poorest groups. Over the past decade, this type of investment has nonetheless led to an expansion of social spending in almost all the region's countries and, in many, a reprioritization of public expenditure aimed at heightening its impact on the poorest groups. Be this as it may, efforts to address this problem have been thwarted by the relatively flat trend of per capita GDP between 1980 and 2003 (albeit with many variations in between those years), low investment, intractable poverty indices and the labour market's rising informality.

This is yet further proof that implementing social rights is a complex and difficult affair that is influenced by growth and economic policy. In fact, economic reforms can give rise to huge differences between the degree of access to the fruits of development enjoyed by "winners" and "losers", as well as having unpredictable consequences and differing short- and long-term effects. For instance, income transfers carried out as part of a social assistance programme will have short-term effects, whereas educational reform is a long-term measure. As pointed out in chapter V, the ideal scenario is one in which short-term assistance policies are merged with human capital formation in the longer term.

In line with the tradition of proposed changes in production patterns with social equity that has guided the work of ECLAC for many years, this study contends that strengthening social rights does not necessarily involve sacrificing economic growth (ECLAC, 1990; and ECLAC/UNESCO, 1992). Even advocates of viewpoints that differ from the ECLAC tradition are increasingly coming to recognize that greater equality of opportunity may complement and contribute to long-term growth, since sustained growth tends to be much more difficult to achieve in highly unequal societies. According to Bourguignon, Ferreira and Walton (2005), if significant parts of the population have restricted opportunities for investment and innovation, while those at the top have extensive opportunities to pursue their private interests, then there will be both efficiency losses and adverse dynamic effects. These authors describe “a negative relationship between inequity and economic processes affecting efficiency or growth in two areas: in the inefficient results from the interaction between market imperfections and inequalities of assets, status or influence; and in the effects of extreme political inequalities on the design of economic institutions, with a tendency to form institutions that promote predation, rent-seeking or protection of economic (and other) privileges, rather than broad-based incentives for investment and innovation” (Bourguignon, Ferreira and Walton, 2005, p. 2).

It is also the case, however, that the more influential societies in terms of the exercise of economic, social and cultural rights generate synergies in development dynamics and the legitimization of democracy. In the case of development, more widespread exercise of these rights leads to greater human capital formation thanks to universal access to good-quality education and health services. This increases the production structure’s capacity to leapfrog stages of technical progress, thereby boosting national economies to higher and higher levels of domestic and external competitiveness. As many as 15 years ago, ECLAC was already arguing that genuine competitiveness is based on more highly trained human resources and a greater incorporation of technical progress, which in the long run generates a more sustainable form of development that is better able to reconcile growth with social equity (ECLAC, 1990; and ECLAC/UNESCO, 1992). In the case of democracy, analyses based on opinion polls conducted in a majority of the Latin American countries indicate that their citizens regard the expansion of social rights as the most valuable source of legitimacy for their political democracies.⁶ The expansion of such rights is believed to result in better governance and political stability, less social conflict and, thus, a more solid institutional foundation for investment and development.

Social rights and inequalities

Income distribution

The Latin American countries’ deeply unequal income distribution interferes with its citizens’ exercise of their social rights. These distributive inequalities are not confined to the region’s income gap, but also constitute both a cause and consequence of gaps in terms of social well-being, human capital, productive assets and the full exercise of citizens’ rights. Inequality and poverty, in particular, contravene the right to an adequate standard of living, whether measured in absolute (poverty line) or relative (comparing income strata) terms.

Although many countries in the region have reached a level of development that could enable a significant proportion of the poor to escape from poverty, 40.6% of Latin American households are currently below the poverty line and lack basic social protection. That percentage represents 213 million people, 88 million of whom are living in extreme poverty (ECLAC, 2005a, figures projected to 2005). Because the region’s societies are so inequitable, poverty levels remain exceedingly high even though the countries’ per capita income levels may be equated with mid-range stages of development. The fact that many people are unable to access a basic set of satisfiers

⁶ See UNDP (2004a). The conclusion reached by this report is unequivocal: any loss of legitimacy for democracy is mainly due to a failure to disseminate social rights, i.e., people’s perception that democracy does not guarantee access to employment, sufficient income, greater social equality or less poverty.

is a concern for the whole of society and a dramatic demonstration of the negative implications that unequal income distribution has for the exercise of social rights.

Lack of equity is a problem that has long afflicted the region's societies and is the result of a combination of highly segmented economic, social, gender and ethnic structures (Machinea and Hopenhayn, 2005). The most striking manifestation of this lack of equity is the inequality of income distribution, which is both the cause and effect of inequalities in other areas, such as education and employment. In fact, the distribution of per capita household income faithfully mirrors the unequal distribution of education, knowledge, capital, employment opportunities and financing. Access to such assets is contingent upon the ability to pay for quality education and health services, as well as for entry into segmented labour and credit markets. This generates a vicious circle of poverty, as young people from poor households have less access to the markets and assets that would enable them to escape from poverty.

The violation of rights as a result of such inequalities is even more dramatic when it infringes upon individuals' chances of survival during the first few years of life. The ethical unacceptability of inequality in income distribution is underscored by the fact that the region produces enough food to feed its population three times over. Yet there are nonetheless countries with high levels of undernutrition, overall malnutrition and acute malnutrition, especially among groups living in extreme poverty, ethnic minorities and the rural population.

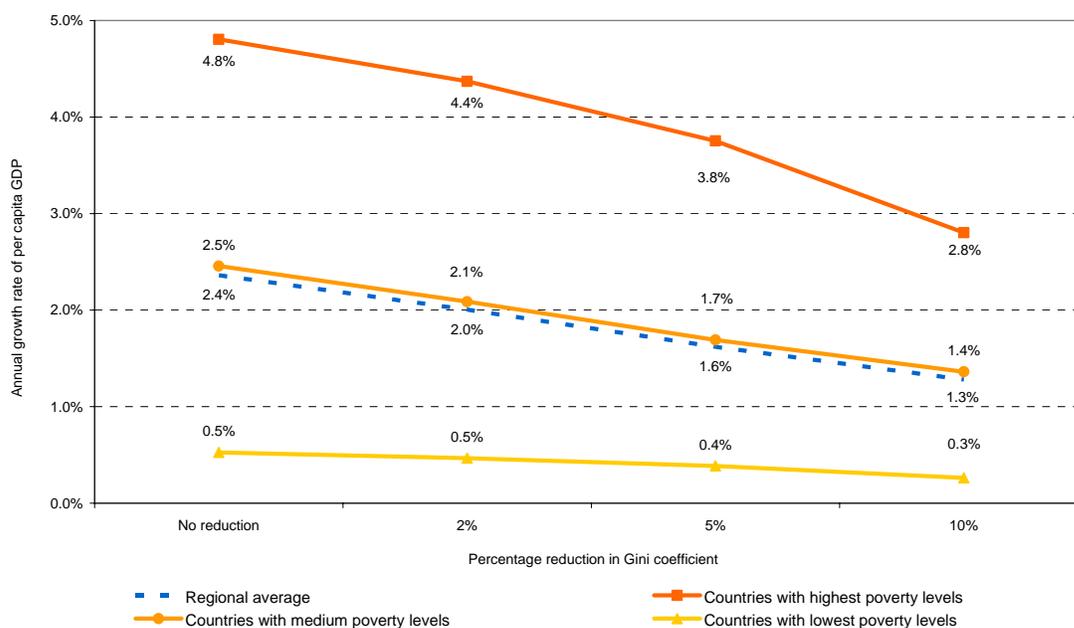
Thus, assuming a constant level of per capita income, greater inequality in income distribution will be directly related to higher poverty indices. One of the main targets associated with the Millennium Development Goals of the United Nations is to halve extreme poverty by 2015. To meet this target, it is estimated that the region's poorest countries would have to achieve annual per capita GDP growth rates of close to 4.8% between 2006 and 2015. If, however, changes in distribution were to reduce the Gini coefficient of income inequality by 10%, the growth rate needed to reach the target would drop to an average of 2.8% per year (see figure I.1).

A comparison of the region's Gini index with those of the other world regions sheds light on the extent of inequality in Latin America's income distribution. The comparison shows that not only is the Latin American and Caribbean region the most unequal one in the world as measured by income distribution, but that the dispersion of inequality is also much higher than elsewhere (see figure I.2). This is a clear sign that, in addition to the shortage of financial resources, the lack of social protection in the region is also closely linked to the distribution structure that underlies the whole of society.

Other ECLAC studies that have looked at the ratio between the income of the richest decile and the poorest 40% of the population point to an even greater concentration of income. In 2002, the smallest differential between these two groups was recorded in Uruguay, where the top decile received 27.3% of national income, which was 9.5 times as much as the incomes of the bottom four deciles. At the other extreme, in 2001 the poorest 40% of the population in Brazil received only 10.2% of total income, while the richest decile obtained almost half (46.8%) (32.2 times more) (ECLAC, 2004a). On average, the richest decile receives 36.1% of household income in Latin America (ECLAC, 2004a). Furthermore, in most of the region's countries, the proportion received by the highest decile has tended to increase in the last decade, thereby reinforcing a historically regressive trend.⁷

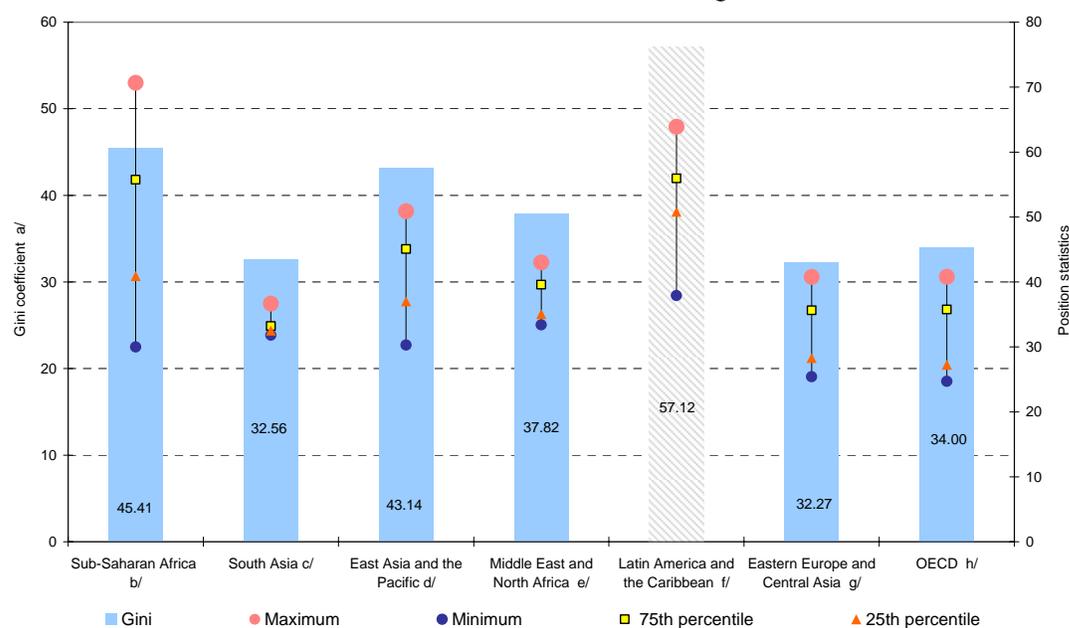
⁷ The proportion of national income received by the richest 10% of the population provides a clear picture of distributive inequalities, since this high concentration in the top decile is one of the main reasons why the region has the most regressive income distribution in the world.

Figure I.1
LATIN AMERICA: PER CAPITA GROWTH RATES REQUIRED IN 2006-2015, UNDER DIFFERENT SCENARIOS OF DISTRIBUTIVE CHANGES, TO HALVE EXTREME POVERTY



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections prepared using data from household surveys conducted in the relevant countries.

Figure I.2
LATIN AMERICA AND THE CARIBBEAN: THE MOST UNEQUAL REGION IN THE WORLD



Source: World Bank, *World Development Indicators* [online] and Economic Commission for Latin America and the Caribbean (ECLAC).

^a Regional average, weighted by each country's population as a share of the corresponding regional total. The most recent Gini coefficient available from the period 1985-2004 was used for each country. ^b 30 countries. ^c 5 countries. ^d 12 countries. ^e 8 countries. ^f 20 countries. ^g 27 countries. ^h 22 countries.

The blurred link between education and employment⁸

As part of the region's efforts to reduce inequality as a means of providing greater social protection, consideration should be given to the employment options available to students. The link between a more advanced education and more and better employment options for young people seems to hold true only for a minority of high achievers. Paradoxically, today's young men and women have more years of formal schooling than previous generations, yet they also have unemployment rates that are two or three times higher than their predecessors'. Current generations of young people are more integrated into knowledge acquisition and human capital formation processes, but have less access to the labour market and sources of livelihood where they could put that human capital to use. This is partly because the present stage of technical progress is such that more years of education are required to qualify for the jobs of today. This situation can be viewed as the result of an "educational devaluation", whereby a given number of years of schooling is worth less than it was 20 years ago. Other factors include the greater job instability associated with new types of organizational patterns found in today's labour market, the fact that the majority of new jobs are being created in the informal sector, and new entrants' lack of acquired rights and work experience.

Education is usually considered to be the main means of reducing inequalities and overcoming the intergenerational reproduction of poverty, thanks to the virtuous circles formed by increased education, social and labour mobility, and higher income. The positive effects that higher educational attainment has on a student's future career path are well known. The persistence of gaps in terms of educational quality and achievement between differing income levels or geographical, ethnic or racial groups tends to perpetuate inequalities from one generation to the next, as well as among social groups, between urban and rural areas, and between ethnic minorities and the rest of the population. Viewed from this vantage point, the right to education is very much an ongoing issue.

In 18 countries of the region, at least one out of every four people between the ages of 15 and 19 in the poorest 20% of households have not completed their primary education, whereas the corresponding ratio for young people in the highest income quintile is only 1 out of 25. The poorest decile has a weighted average of 3.1 years of schooling, while the richest has a weighted average of 11.4 years. This has major implications for social equity, since parents' educational levels have a very strong influence in determining how much schooling their children will receive. On average, the children of a father who never went to school will accumulate three years of schooling, whereas, if the father has attended an institution of higher education, his children will complete 13 years of schooling (ECLAC/UNESCO, 2005).

Inequalities in terms of educational achievement are a cause and consequence of socio-economic inequalities. Limited educational attainment leads to the reproduction of poverty as part of a vicious circle that also interferes with the exercise of other rights. There are two sets of data which demonstrate that the incomplete exercise of the right to education affects the enjoyment of the right to life and effective entitlement to reproductive rights. The first set of data attests to the negative correlation between a mother's level of education and the child mortality rate. The second points up the inverse correlation between educational achievement and early motherhood. Indeed, teenage pregnancy is one of highest-risk factors for poverty and vulnerability, as it is often a harbinger of a future of single-parent families with poorly educated female heads of household who have little chance of producing sufficient income to lift those households out of extreme poverty.

⁸ This study does not include an in depth examination of education or employment issues but instead focuses on topics that are more specifically related to social protection, such as health, social security and assistance programmes for the poor. Chapter II does, however, provide an analysis of some aspects of labour demand and its consequences in terms of social protection. Chapter V indirectly addresses education coverage for poor boys and girls in the course of its discussion of conditional cash transfer programmes based on school attendance.

The quality and quantity of education that people need in order to obtain a job that ensures them a decent standard of living will increase in step with the overall society's average level of achievement. In the mid-1990s, ECLAC estimated that between 10 and 12 years of formal education were required in order for people to obtain employment that would prevent them from becoming poor or enable them to escape from poverty, although the figures did vary somewhat from country to country. In 2002, an average of 38.1% of the men and 45.6% of the women aged 15-29 who had from 10 to 12 years of education were working in low-productivity jobs (ECLAC/OIJ, 2004).

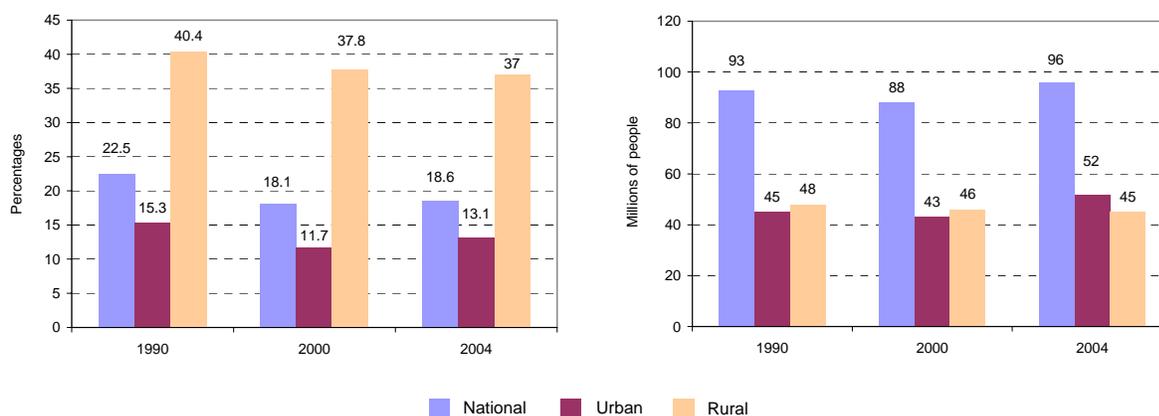
The social stratification produced or maintained by these segmented employment patterns combines with a global and regional tendency towards a widening gap between the incomes of professionals and technicians and formal-sector employees. Between 1990 and 1997, the average differential between these two groups increased by 24% in the region, while the income gap between the most highly qualified workers and employees of small and medium-sized enterprises (SMEs) expanded by 28% (ECLAC, 2000b). This also raises questions about future employment prospects for young people who are beginning or completing their secondary education but who do not go on to study in an institution of higher learning.

Geographical and ascriptive factors

Groups whose identities are based on such ascriptive factors as geographical location, ethnicity, race or gender are more vulnerable to poverty and inequality. This violates not only the social right to a decent life, but also the cultural right to non-discrimination.

In terms of territorial distribution, poverty levels remain much higher in rural than in urban areas. In Latin America, 37% of the rural population is indigent, compared to just 13% in urban areas (see figure I.3). Largely because of the region's growing urbanization, however, since 2002 indigents living in urban areas outnumber their rural counterparts. According to estimates up to 2004, 52 million of the 96 million people living in extreme poverty in Latin America are located in urban areas.

Figure I.3
LATIN AMERICA: INDIGENCE RATES, BY GEOGRAPHICAL AREA, 1990-2004^a
(Percentages and millions of people)^b



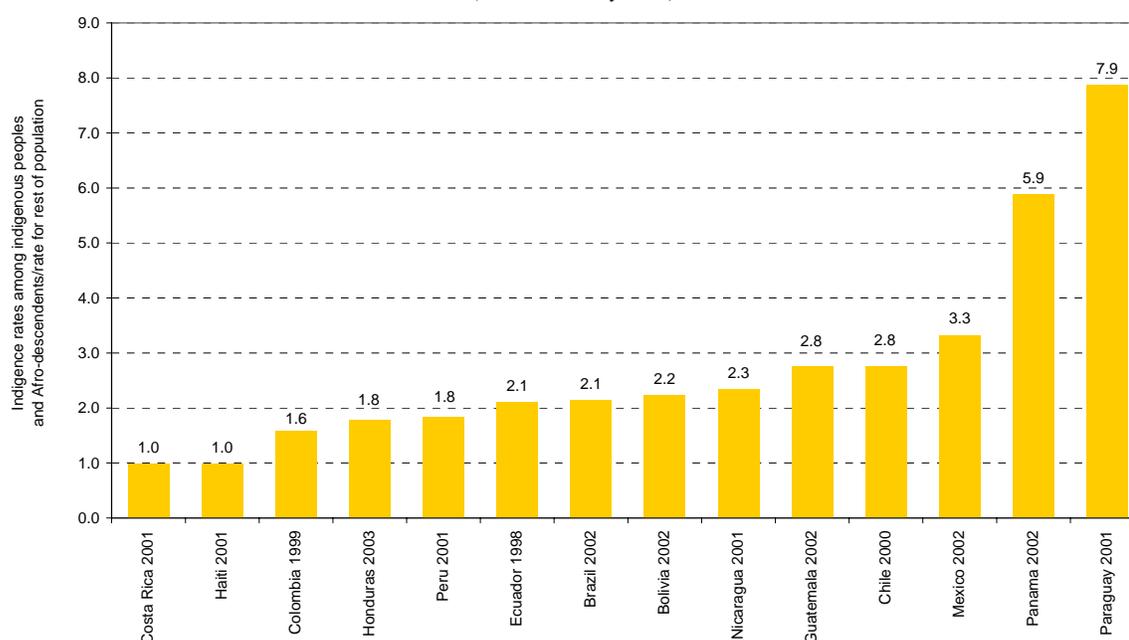
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections prepared using data from household surveys conducted in the relevant countries.

^a Estimate for 19 countries.

^b The figures for 2004 are projections.

In terms of groups associated with the ascription of ethnically- or racially-based traits, Latin America's indigenous peoples (who represent over 25% of the population in Bolivia, Ecuador, Guatemala and Peru) and Afro-descendants (who represent more than a quarter of the population in Brazil, Nicaragua and Panama) are, to a large extent, the poorest in the region, exhibit the worst socio-economic indicators and enjoy very limited cultural recognition and access to decision-making processes. As shown in figure I.4, indigence (i.e., extreme poverty) rates are between 1.6 times and 7.9 times higher (Colombia and Paraguay, respectively) among indigenous and Afro-descendant peoples than among the rest of the population (except in Costa Rica and Haiti, where membership in ethnic groups does not seem to be associated with any differences in indigence levels).

Figure I.4
**LATIN AMERICA (14 COUNTRIES): INDIGENCE RATES AMONG INDIGENOUS PEOPLES
 AND AFRO-DESCENDENTS AS A MULTIPLE OF THE RATE
 FOR THE REST OF THE POPULATION**
(Dollar-a-day line)



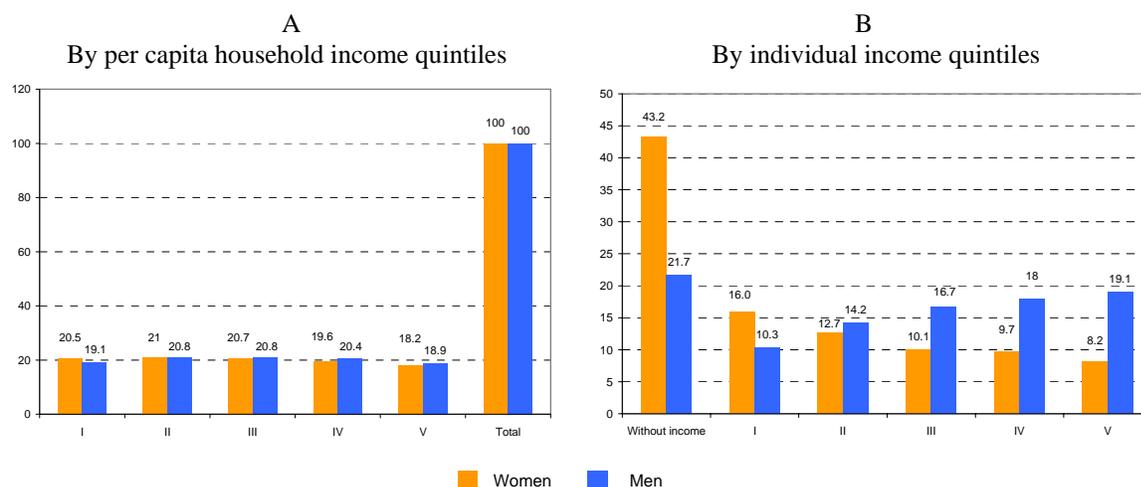
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the relevant countries.

Gender-based inequalities in Latin America are well documented. They are chiefly manifested in degrees of access to the labour market and employment conditions, vulnerability in the home, and the exercise of citizenship and reproductive rights. In every one of these cases, these gender-based inequalities invariably work to the detriment of women. Indirectly, they also have a negative effect on social protection, since, in the region, access to benefits is closely linked to employment status.

Women outnumber men in poor Latin American households. This is especially true of working-age women (20-59 years), for whom the ratio of the number of women to men was 108 in poor households as compared to 96 in non-poor households.⁹ Discrimination against women is even more noticeable when a distinction is made between per capita household income and individual income (see figure I.5).

⁹ Estimates based on special tabulations from household surveys.

Figure I.5
**DISTRIBUTION OF POPULATION 15 YEARS AND OLDER, BY SEX, IN PER CAPITA
 AND INDIVIDUAL INCOME QUINTILES**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the relevant countries.

Reversing such historically entrenched inequalities is no easy task, as they represent an accumulation of systemic disadvantages and forms of discrimination that are ingrained day-to-day practices. It should be pointed out, however, that most of the region's countries have made significant inroads during the last decade in rooting out both ethnic and gender discrimination. Headway has been made in the areas of political institutions, legislation and justice, as well as in formulating social policies that take ascriptive variables into account in order to improve their targeting of groups whose vulnerable or disadvantaged positions are associated with their members' gender or ethnic origin. Yet despite these efforts, a series of deeply rooted social differences condemns these groups to increased poverty and higher risks than other members of society. The transition from de jure to de facto rights is by no means immediate, and profound cultural change will be required if it is to be achieved.

Nuanced considerations: rights, access and distribution

The failure to achieve greater equity in these areas stands in contrast to major achievements in other areas, the most important of which is the considerable increase in life expectancy attained in most of region's countries during recent decades. According to data compiled by ECLAC, average life expectancy in the region in 1970-1975 was 61.4 years, while by 2000-2005, it had risen to 72.0 years. In Brazil, for instance, life expectancy rose from 59.8 years in 1970-1975 to 71.0 years in 2000-2005. During the same period, life expectancy went from 46.7 to 63.8 years in Bolivia, from 55.5 to 69.0 years in Peru and from 68.1 to 78.1 years in Costa Rica.¹⁰ These data are significant not only because they reflect an extension of the right to life, but also because life expectancy rises in step with improvements in other key indicators relating to economic, social and cultural rights, such as expanded access to health and education, better nutrition and availability of water and sanitation services. The relative ageing of the population, in turn, brings greater pressure to bear on the financing of pension and health systems (see chapters III and IV).

¹⁰ Estimates and projections from the Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC (www.cepal.org/celade/proyecciones/basedatos_BD.htm). Also see estimates and projections from the United Nations Population Division (<http://esa.un.org/unpp/index.asp>) and ECLAC (2004a).

Data from the above sources indicate that, in 1970-1975, the infant mortality rate was 80.8 per 1,000 live births (deaths of children under 1 year of age) and that, by 2000-2005, the rate had dropped to 27.4 per 1,000. Although the region reduced infant mortality more than any other (from 42.9% to 25.6% between 1990 and 2003 according to United Nations data), some countries have higher rates than the overall average rate for Asia (53.1%). In the first quintile, the rate in a few Latin American countries is even higher than overall average infant mortality rate for Africa (United Nations, 2005, pp. 138-142).

Other significant improvements in quality-of-life indicators over the past 40 or 50 years include lower illiteracy rates, higher (and gender-balanced) gross enrolment rates in primary and secondary education, greater access to drinking water and sanitation, and increased supply of durable goods in people's homes. Between 1960 and 2000, the number of inhabitants per doctor dropped from around 3,000 to 1,717 (simple average) or 1,307 (weighted average). Illiteracy among 15-year-olds fell from around 26.3% in 1970 to 9.5% in 2005.¹¹ The gross enrolment rate in the first level of education went from just over 77% of school-age children in 1970, to 96% in 2001, while the increase in secondary school enrolment rose from 21% in 1970 to 29% in 1990, and had jumped to 64% by 2001. Educational achievement levels are higher among girls than boys in both primary and secondary education.¹² Finally, the percentage of the population with access to drinking water climbed from 83% to 89% between 1990 and 2002, while the percentage of the population with access to sanitation services rose from 69% to 75% during the same period.¹³ Here again, however, the expansion was not uniform, and in rural areas (especially in the poorer countries), access conditions are comparable to average levels in Africa, the world's poorest region. By way of example, in 2002 no more than 35% of the rural population had access to sanitation services in countries such as Peru, Haiti and Bolivia, with the rate just barely reached that level in Brazil (United Nations, 2005, p. 195).

Improvements in these indicators now situate the region, on average, well above other developing regions in terms of human development.¹⁴ The fields in which these advances have taken place constitute the key themes of the United Nations Millennium Declaration, since the universal minimum targets deriving from that document concern the reduction of poverty, malnutrition, and maternal and infant mortality; extension of basic education coverage; gender equality in access to education; and greater access to drinking water.

One factor that helps to account for the unevenness of progress in the area of human development (especially in terms of life expectancy and level of education) and the failure to make headway in the reduction of poverty and inequality is that advances in the fields of health and education are only achieved through sustained efforts over several decades to set up and consolidate State institutions and programmes aimed at achieving universal coverage (especially for primary health care, access to basic services and formal education). It is therefore difficult to attribute failures or successes to any one Administration, since the present situation is the outcome of those initiatives' cumulative effects. Clear examples include Chile, Costa Rica and Cuba, whose public health systems have been strengthened over time and have long been oriented towards achieving universal coverage. This approach has led to significant progress in reducing infant, child and maternal mortality and in raising life expectancy.¹⁵ Other types of advances can be achieved more quickly. Effective literacy programmes, such as the one launched by the Bolivarian Republic of Venezuela at the start of the decade, are one example of the latter, since they can quickly bring

¹¹ ECLAC Database on Social Statistics and Indicators (BADEINSO), on the basis of figures from the UNESCO Institute for Statistics.

¹² ECLAC Database on Social Statistics and Indicators (BADEINSO).

¹³ Ibid, on the basis of data from the WHO/UNICEF Joint Monitoring Programme on Water Supply and Sanitation.

¹⁴ It should be pointed out that there are still poor areas, especially in rural areas of the region's poorest countries, whose access indicators to some of these goods and services are similar to those in Asia or Africa.

¹⁵ Because of their long-term scope and soundness, these projects has sometimes led, paradoxically, to improvements in certain kinds of education and health indicators even during periods of recession or high economic volatility, such as during the "debt-crisis decade".

about a dramatic reduction in adult illiteracy. Another would be mass oral rehydration programmes, which can be implemented on the spot at little cost and can drastically reduce infant mortality due to diarrhoea in children aged between 0 and 2 years.

The time it takes for social protection measures to bring about reductions in poverty levels can vary enormously. For instance, a monetary transfer policy targeting the poorest households can improve poverty or extreme poverty indicators very rapidly by raising the incomes of a substantial portion of the population to levels above indigence and poverty thresholds calculated on the basis of household income. The same cannot be said of policies aimed at increasing human capital (education and health), whose effects are calculated on the same basis but may not be reflected until the next generation, when the current beneficiaries of an improved education enter the labour market with better prospects and earnings capacity. The health sector provides a good illustration of this point, since significant improvements in health indicators can occur while poverty levels remain relatively constant. This is attributable to the fact that poverty is calculated on the basis of household income; a quite different picture would result if indicators based on basic needs, human development or social capital were used instead.

Another aspect to take into consideration is the relationship between the pace of economic growth and level of per capita income, on the one hand, and improvements in the quality of life, on the other. In Latin American countries, there is a trend correlation (albeit inconclusive) between per capita income and indicators such as life expectancy, overall malnutrition and poverty and extreme poverty rates. The correlation has many exceptions, both in Latin America and elsewhere: the United States, for instance, has the highest per capita income but is outperformed by many other industrialized countries in terms of life expectancies and levels of learning in basic education. Costa Rica, which is a middle-income country within the region, has the highest life expectancy in Latin America and the Caribbean. It therefore seems to be the case that, besides per capita income, the distribution structure and the level and characteristics of public spending are determining factors in whether the whole of the population has access to public goods and exhibits better quality-of-life indicators. The correlation between per capita income and basic indicators of well-being or quality of life is thus not entirely linear, and there is manoeuvring room for redirecting policies so as to place greater emphasis on extending economic, social and cultural rights. This is all the more true because broadening access to those rights is largely dependent on the supply of global public goods such as economic stability and access to financing, as well as health care, education and basic services (ECLAC 2000a and ECLAC 2002).

The scope and structure of social spending can have a strong effect on the distribution and coverage of social rights. Naturally, some categories of social spending are much more beneficial for poor people than others (e.g., basic education, nutrition and subsidies for basic housing), while the effects of other measures are concentrated in other income groups, as in the case of social security benefits. It is also important to target some items of expenditure on the most disadvantaged groups in terms of access to these public goods (such as areas or schools with extremely low educational achievement levels). Therefore, the “increased social expenditure” indicator must be supplemented with an indicator that gauges “types of expenditure” in order to be able to determine how much priority a given policy places on economic, social and cultural rights.¹⁶ One of the key challenges in this respect is to improve social protection within the framework of a responsible fiscal policy. This implies increasing the tax burden within the restrictions imposed by a globalized economy and boosting the efficiency of public policy. Chapter II includes an analysis of the available options in terms of taxation, given the wide range of different systems that are in use in the various countries.

¹⁶ See the analysis of the redistributive effects of social spending in the *Social Panorama of Latin America, 2005* (ECLAC, 2005a).

Particular importance has been placed on increasing social spending in recent years. It has been suggested that the most decisive factor in contributing to the well-being of the people who bear the brunt of the “social debt” is not the progressiveness of the tax structure, but rather an efficient, effective and focused social policy that transfers resources and assets to the poor. Although the enhancement of social spending and efficient resource use are a step in the right direction, that is no reason to rule out the “tax option”, especially not on the grounds that it would have a negative effect on investment and competitiveness, since, in most of the region’s countries, the tax burden is actually either comparatively or extremely low. Development efforts based on social rights should therefore aim to strengthen both social spending and progressive tax structures while maintaining a position of fiscal responsibility and providing an adequate stimulus for competitiveness.

A social protection covenant

Greater equity and the extension of social protection have positive effects on the economy in more ways than one (Bonilla García and Gruat, 2003). First of all, as previously mentioned, more and better access to education and health raises the average level of human capital, which is crucial for sustainable growth and competitiveness in a world that increasingly values intelligence and innovation. It is also a decisive element in raising national economies’ average productivity. These are necessary conditions for the transition from spurious competitiveness (i.e., competitiveness based on low wages and over-exploitation of natural resources) to a genuine form of competitiveness based on the incorporation of intellectual value added (ECLAC, 1990; ECLAC/UNESCO, 1992).

Second, the greater the extent of social protection provided and the more secure social rights are, the less conflict there will be, or, in other words, the more willing members of society will be to find ways of resolving distributive disputes through negotiation, rather than resorting to other means of settling them that could undermine governance. Thus, a more equal distribution structure reinforces political stability and is therefore conducive to higher levels of external and domestic investment and financing. Third, greater equality indirectly lowers the high costs of poverty and inequality in terms of school drop-out rates, avoidable morbidity and unwanted pregnancies. In addition, a social protection system that offers more equitable coverage against risks and more equal opportunities for human capital formation boosts institutional confidence and reciprocity among the members of society. This, in turn, bolsters the supply of social capital, which is also an important force in generating virtuous circles between greater social confidence and increased economic dynamism.

If the members of society have a clear understanding of the virtuous circles that can be formed by equity and growth and by enhanced social citizenship and better governance, it will be all the easier to build a social covenant or contract. According to Devereux (2002), social protection systems are more solid when they are based on a concept of political community and solidarity within the framework of a hypothetical “social contract” between the State and its citizens. The redistribution required to finance social protection instruments is more politically viable if it is based on a common understanding regarding the rights and duties shared by all citizens. This would include an acknowledgement that everyone must pay taxes and respect the rights of others and that everyone should be protected equally in times of hardship, or that social policies should have a stronger and better impact (Sen, 2000).

The need for a social covenant stands out all the more clearly because the absence of a linear correlation between per capita income and the basic indicators of well-being and quality of life suggests that there is indeed scope for redirecting policies towards the expansion of economic, social and cultural rights. In other words, access could be extended to public goods such as vaccinations against childhood diseases, prenatal care and basic education even without any

substantial increase in per capita income. Most of the region's countries also have the potential to expand the range of areas (the tax burden, the structure of taxation, and the distribution, targeting and efficiency of public social spending) in which redistributive State action can be taken with a view to universalizing the effective exercise of social rights.

Forms of social protection in welfare States

The first social protection covenant was established under the aegis of the welfare State in Europe and North America. As pointed out by Esping-Andersen (1993, 1996 and 2000), it is possible to have social policies without a welfare State, but there can be no welfare State without social policies. The difference between European and North American countries, as opposed to their Latin American counterparts, is that, in the former group, the welfare State has a strong and stable institutional nucleus that guides change, while Latin American institutions and programmes are not structured around a strategic set of long-term social measures and objectives (Galiani, 2006).

In Europe, the United States and Canada, social policies are implemented as part of the ideological framework of social and political agreements that make up their welfare systems. In Latin America, on the other hand, social policies need to be more closely interlinked on the basis of an ideological foundation capable of providing strategic guidelines, continuity and coherence that extend beyond the horizon of individual presidential Administrations. In Europe and North America, the contract between the State and society includes an agreement about the way each country has historically upheld its citizens' rights. In Latin America, on the other hand, social policies do not have the status of State policies (except in the few cases where sectoral budgets are "armour-plated"), and there is no social authority of the same rank as the most senior economic decision-makers.

The welfare States that emerged in the developed world between the 1930s and 1960s were established in response to the need for social protection systems capable of dealing with the risks of the time, which were tied in with the central role of employment in the definition and satisfaction of individual rights (see box I.2). Since the 1970s, however, changes in terms of production, employment, epidemiological and demographic profiles, families and gender roles have cast doubt upon the validity of the traditional employment-based welfare State (the Bismarckian model). These changes forced the issue of the need for reforms to protect citizens' rights from the new social risks they brought with them. These reforms would have to be carefully crafted in order to ensure that they did not exclude portions of the population from the social protection system (Titelman and Uthoff, 2005).

Within this context, the concept of security goes beyond the bounds of its traditional definition to include new factors such as age and ascriptive categories such as gender and ethnic minorities. This concept is increasingly linked to citizenship, human rights and the deepening of democracy, and it comes into conflict with the new economic constraints stemming from the emerging global order and the present degree of financial volatility.

Box I.2

THREE PARADIGMATIC MODELS OF THE WELFARE STATE

In analysing the development of the welfare State since the 1930s, Esping Andersen identifies three types of welfare regimes in the industrialized world. Each of these regimes corresponds to a solidarity model that reflects the way in which the welfare State deals with risks.

The *liberal welfare regime* minimizes the State, individualizes risks and promotes market solutions within a framework of residual risk management. The United States is an emblematic example of this model, which has three main characteristics. First, it is residual (in Latin America, this concept is referred to as the “subsidiary role” of the State), in that it deals only with unacceptable risks and tailors its protective measures to the groups exposed to those risks. Second, it often involves social policies that target extreme poverty and whose focus is based on people’s needs rather than their rights. Third, there is a tendency to apply welfare policies that use means testing to determine the presence of need. This criterion is used not only in the United States but also, to varying degrees, in other countries whose welfare States have originated from liberal regimes, such as Australia, the United Kingdom, New Zealand, Canada and Ireland.

The *social democratic regime* used by the Nordic European countries has a universalist, egalitarian orientation and is committed to the notion of rights. Rights are linked to individuals and are based on citizenship; in the United Kingdom and the Netherlands, in contrast, pensions are based on effective contributions rather than on demonstrated need or employment contracts. The system seeks to de-commodify welfare or well-being in order to minimize dependency on the market. Some countries (such as Belgium and Italy) have subsidies that are almost as high as in the Nordic countries, but what distinguishes the Nordic countries’ social democratic regime is its fusion of universalism and of the overall socialization of risk with generous subsidies and universal coverage.

The *conservative (corporatist) regime*. The most obviously conservative aspects of this system are its risk distribution (corporatist solidarity) system and familialism. The former is reflected in a distinctly Statist historical legacy that provides special treatment to civil servants and additional social security resources based on corporatist interests. Although the basis of pensions is not strongly corporatist in Germany, there are thousands of special health funds for particular regions, professions or companies. Italy, on the other hand, has a unified health system but over a hundred pension plans for various professions. Such systems can also be based on familialism, which prioritizes the central role of the family as caregiver and, ultimately, as the unit responsible for the well-being of its members. As with the liberal model, the conservative regime is also residual. However, while the liberal system provides coverage for market failures, the conservative model provides for “family failures”. In both cases (and unlike the social democratic system), assistance (need) takes precedence over rights.

Source: Gosta Esping-Andersen, *Fundamentos sociales de las economías postindustriales*, Barcelona, Ariel, 2000; *Welfare States in Transition*, London, Sage, 1996; *Changing Classes. Stratification and Mobility in Postindustrial Societies*, London, Sage, 1993.

The social State and social protection in Latin America and the Caribbean: legacy of the 1980s, assessment of the 1990s and uncertainties of the twenty-first century

Following the Second World War, Latin American and Caribbean countries joined in the effort to forge a social State. The rate of progress made in this area varied from country to country, however, and differing paths were taken in terms of institution-building and the coverage of public social services. In addition, the informality of the labour market limited the coverage provided by job-based benefits. Only some of the region’s countries succeeded in setting up a social policy system of progressive and continuous coverage.

The partial welfare-State model implemented between the end of the Second World War and the mid-1970s was based on the notion of a labour-based society. This presupposed an ideal situation of full and increasingly formal employment as the basis for a social protection system that would gradually provide more and more benefits to the workforce. These benefits were to be paid for out of State, employer and worker contributions, with the assumption being that these workers (heads of household) would provide for their entire family with their income and social protection benefits. Social citizenship was to be linked to “labour citizenship”, and it was the State’s job to provide universal coverage of basic services and formal education.

This model was always a partial one. First, because the high level of labour informality left a large proportion of the population without the job-based social protection it was designed to furnish. This situation was then exacerbated by the negative impact of crises and economic volatility on employment. Second, the model did not specifically take into account such groups as women, the poor and families in general. Third, the State began to run up against serious shortages of resources (particularly from the “lost decade” or the “decade of the debt crisis” onward), in addition to the cumulative policy inefficiencies associated with such phenomena as excessive bureaucracy, clientelism and corporatism.

This, combined with the “fiscal rationalization” agenda that burst onto the scene in the wake of the economic reforms of the 1980s, redefined the “social State” and social policy. The causes of the shift away from the social State in Latin America and the Caribbean that are cited in the literature include the difficulty of using solidarity-based funding mechanisms to finance universal social benefit systems; inefficient State management; a spiral of increasingly complex pressures and demands whose scale and specificity made them exceedingly difficult to cope with; breakdown of the full-employment paradigm; changes in market rules; sociodemographic shifts; and new expectations on the part of the population.¹⁷

Since the 1980s, all of the above has led to sweeping reforms of the State and social policy. The most important changes have been the decentralization of government services, policies and decision-making, increased direct private-sector involvement in service management and delivery, the targeting of programmes for the poorest groups through social welfare policies, and the rationalization of expenditure through new management, information and monitoring tools.

As will be discussed in greater detail later on, in the 1990s almost all the countries increased their per capita social spending levels. They also fine-tuned the targeted welfare policies launched in the 1980s by introducing new instruments designed to tackle different dimensions of poverty through the use of social funds in such areas as housing and habitability, services, roads and basic social infrastructure, microfinance and production equipment. New services were also created for certain disadvantaged groups (women, children, older adults, people with disabilities, microentrepreneurs, small-scale farmers and indigenous groups). Budgetary restrictions forced such programmes to target subgroups within those categories, however, and these initiatives therefore metamorphosed into pilot programmes that had some qualitative effect but that fell far short of achieving universal coverage.

In the region as a whole, compensatory measures became the policy of choice in the 1980s and part of the 1990s. This had the effect of blocking a comprehensive structural reconfiguration of social policy. The region’s countries tended to treat targeted policies as stable policies —an approach that gave rise to policy overlaps with sector-specific State institutions.

Now, at the start of the twenty-first century, the performance rating for the “social State” (i.e., the overall package of public social policies) is not particularly positive in terms of poverty levels and income distribution. It has, however, been much more successful in terms of increased social spending, policy reform efforts, institutional development and the creation of new management tools. Moreover, it is now widely recognized that people do not escape from poverty “once and for all”, given the realities of economic volatility, gaps in terms of human capital, employment constraints and the fact that growth does not automatically form a virtuous circle with poverty reduction. It is in this context that ECLAC is advocating the formation of a broad covenant of social cohesion (ECLAC, 2004b) (see box I.3).

¹⁷ See Titelman and Uthoff (2005) and the following chapter.

Box I.3

A SOCIAL COVENANT AND A FISCAL COVENANT: ECLAC PROPOSALS

As long ago as the early 1990s, ECLAC was underscoring the need for a strategic consensus embodying a set of long-term explicit and implicit agreements between the State and major political and social stakeholders regarding instrumental objectives and the sequencing of the policy measures and institutional innovations needed to achieve them (ECLAC, 1990). The reasoning behind this idea is that successful policymaking and policy implementation require the institutional framework and backing that these types of agreements can provide.

The notion of fiscal and social covenants or contracts has been referred to repeatedly by ECLAC ever since then. A position paper presented at the thirtieth session of the Commission, held in San Juan, Puerto Rico, advocated the establishment of a social cohesion covenant in order to avert the negative effects—especially in terms of social protection—of the necessary adaptability of labour markets. This covenant would form the basis for a set of “social and economic policies, hinging on a social cohesion covenant resting on four pillars: consistency with the foundations of macroeconomic policy; job creation; social protection; and education and training” (ECLAC, 2004b, p. 302). In the area of social protection, a social cohesion covenant would include insurance coverage for unemployment, disability, old age and death and would provide access to health services and coverage in keeping with the new risk profiles associated with changes in the production structure.

The covenant should reflect an awareness of the fact that labour policies do not, on their own, create jobs and therefore need to be backed up by a recovery in employment demand and active policy measures. Unless labour flexibility is coupled with rapid growth in demand, then appropriate unemployment insurance should be provided, in conjunction with public employment policies and support policies for the informal sector. In order to formulate an agreement that takes into account a social protection system’s current stage of development and the need to gradually introduce active policies targeting the formal and informal labour markets, any proposals in this area must be adapted to the particular conditions under which they are to be applied (ECLAC, 2004b, p. 302).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Productive Development in Open Economies* (LC/G.2234(SES.30/3)), Santiago, Chile, June 2004 and “The Fiscal Covenant: Strengths, Weaknesses and Challenges. Summary”, *Libros de la CEPAL series*, No. 47 (LC/G.2024/I), Santiago, Chile, April 1998.

An idea that has been swiftly gaining ground since the 1990s is that recipients of services and benefits are also citizens who are entitled to certain enforceable rights. The road to social citizenship is not free of contradictions, however. One key topic of debate is the targeting of social policy (or of many social programmes) for the poorest and most vulnerable groups. Initiatives of this sort may take the form of social emergency or social investment funds, emergency employment schemes, direct transfers of monetary subsidies to the poorest groups and educational programmes. They also include the use of socio-economic measurements to increase the accuracy of efforts to target those people who are the least integrated into social inclusion mechanisms.

The debate over universal policies versus those targeted at the poorest groups is multifaceted. In theory, targeting is supposed to enable policymakers to use specific measures to reach these groups, thus promoting a more progressive distribution of resources. It also concentrates public resources and efforts in the most progressively redistributive areas of social policy and encourages the self-financing of certain benefits for non-poor recipients. Regardless of whether policies focus on the poor, depressed geographical locations or areas that provide the greatest benefits to low-income groups, targeting always has a twofold purpose: to optimize resource use and to benefit those who live in the most precarious or vulnerable conditions.

The validity of targeting can be called into question, however, when it ceases to be a temporary measure and becomes an established standard of social policy, since prolonged targeting can lead to the consolidation of a welfare model that makes beneficiaries more dependent upon it. This runs counter to the ideal of social citizenship, which gives priority to the development of citizens’ abilities to increase their active participation in society and their power of self-determination.

It is therefore important to ensure that, once a certain level of development has been reached, targeting does not have the effect of encouraging poor people to continue living off State aid while continuing to exclude them from social integration circuits, especially those associated with the

attainment of self-sufficiency through employment. Incentives to seek work and build skills are essential to offset the negative side-effects of targeting. These effects include “the poverty trap”, whereby the poor remain in a dependent position indefinitely as beneficiaries of targeted policies or programmes.

Consideration also has to be given to the fact that, in the long run, egalitarian policies have been designed to provide universal coverage, as is clearly illustrated by the more equitable industrialized societies, where the most influential social model of the State is founded upon the idea of providing high-quality benefits to all citizens. In other words, egalitarianism is based on the universality of social citizenship, which entails access for all to quality benefits in areas such as health, social security, education, income supplements for the poor, unemployment insurance and family care. One of the advantages of universalism is that it spurs demands on the part of middle-income groups which tend to elevate the standards that the poorer groups expect such benefits to meet. It also gives rise to a closer correlation between social protection and social inclusion. This is because the continued implementation of high-quality universal social protection policies requires very active labour policies since, in the final analysis, employment-based protection pays for itself.

Although targeting, on the other hand, has redistributive effects in the short term, prolonging the implementation of such policies indefinitely is not the best means of moving towards more egalitarian societies. The greatest risk of such an approach is that it can give rise to a segmented regime in terms of the quality of benefits (one education system and one health-care system for the poor and another for the non-poor), thereby reinforcing inequalities between poor people and the rest of society in terms of life experiences and outcomes, even if equality of opportunity has been achieved.

When economic volatility, drastic adjustments in the labour market or economic reforms result in a massive and widespread reduction in the earnings of middle-income groups, it is fairer to concentrate on broad-coverage programmes in order to prevent a rise in the number of “circumstantially poor”, who may ultimately end up joining the ranks of the “structurally poor”. On the other hand, the privatization of health and social security systems, which tends to result in the quantity and quality of benefits being based on the contributory capability of the recipient, leaves a wide segment of the population in a less protected and more insecure position. Thus, when the targeting of the poorest individuals is combined with a system that relies on self-financing by other socio-economic groups, a significant number of middle-income households may find themselves stranded in a “no man’s land” in between, where they neither qualify as recipients nor have the resources to act as contributors. Furthermore, inefficient resource distribution may result in services of extremely uneven quality.

Nor should we ignore the necessary complementarities between targeted and universal policies. Given the needs that are common to all but that only some members of society can meet on their own, and in the light of the scarcity of resources, targeting definitely constitutes an effective short-term tool for levelling the playing field in terms of risks and vulnerabilities.

Towards a social protection covenant

The notion of rights-based social protection is not limited to welfare or relief measures. It also encompasses policies for the development of human capital and risk prevention. Although changes in social policy have resulted in a more educated population and improved health indicators in Latin America and the Caribbean, people nonetheless find themselves in volatile, segmented, precarious labour markets over which they have no control, while society itself must cope with processes that extend beyond the purview of political decision-making at the national level and that may trigger fluctuations in the economy’s growth rates and job creation capacity.

In this context, social policies must help society overcome its vulnerabilities and mitigate the factors that create insecurity under different sorts of circumstances, which will have varying impacts on individual members of society depending on how vulnerable their positions are. This calls for anticipatory and remedial social investment measures in order to strengthen human and social capital, reinforce employment-based social security schemes, and build social protection and and/or safety nets.

This also suggests that, at this juncture, the region needs to make the transition from a social policy package to a comprehensive social protection system. This transition poses both fundamental and procedural problems, however, including the conflicts that arise among rights, resources, distributive patterns and institutional designs. As noted earlier, no solution is universal, and there can be no effective exercise of social rights without according due consideration to supply of resources available for distribution and the exogenous and endogenous constraints existing in each country and at each point in time.

A protection system is more than an institutional structure; it is a political agreement that enables society to lay the foundations for building and regulating its way of life. This kind of system determines which rights apply to all, how they are protected and how they are rendered viable. This involves institutions, standards, programmes and resources. Furthermore, a social covenant aimed at reshaping social protection on the basis of universally recognized rights is not simply a matter of having individuals decide to enforce such rights or of market dynamics. A social covenant of this kind must be backed up by a society-wide decision to uphold such rights.

A social agreement or covenant must therefore include a common vision of the type of society that the State and all stakeholders aspire to achieve. This is necessary for two reasons. First, the sheer scale of such a task requires a broad national consensus in order to implement the necessary social reforms (institutional innovations, determination of resource levels and allocation, and the definition of how the principle of solidarity is to be expressed in actual transfers).¹⁸ Second, long-lasting policies and institutions are needed whose time horizons extend beyond the terms of individual Administrations.

The main means of consolidating social policies in the medium and long terms is therefore this type of social (and fiscal) covenant or pact. “Armour-plating” the most important items of social spending has a twofold purpose. First, the established priorities reflect an explicit political agreement reached by Congress; second, funding for such items is guaranteed and the continuity of the relevant programmes is therefore ensured.

Such a covenant has both substantive and procedural aspects. The former refers to content (minimum levels, tangible manifestations of solidarity, transfers, the progressivity of coverage, quality of benefits and expansion of access). A social protection covenant must be based on the principles of universality, solidarity and efficiency. This does not mean that every single benefit can be provided to all, but rather that, on the basis of a dialogue among all stakeholders, society reaches agreement as to the standards of quality and coverage that should be guaranteed to all its members. Such a covenant should also feature clear and permanent rules and management standards. It should adhere to criteria for the maintenance of macroeconomic stability and be aimed at socializing benefits and obligations. Stable and dynamic economies, combined with effective solidarity-based transfers designed to universalize social protection and promote the development of capacities and opportunities, are absolutely essential if the region is to reconcile the two sides of the development coin: growth and equity.

¹⁸ Any serious analysis of social protection or a welfare system in Latin America cannot ignore the political debate concerning a fiscal covenant. See ECLAC (1998) and ECLAC (2004b).

The procedural aspects have to do with the way in which the idea of forming such a covenant is proposed, who is called upon to participate, what kinds of deliberative and representational procedures are to be used, how agreements are to be monitored and applied, and how the State is to fulfil its regulatory role. Without such agreements or covenants, any progress made in this regard will be subject to the ins and outs of ongoing negotiations, with no guarantee of continuity over the medium term and questionable social legitimacy. This would make it impossible to move ahead in building a social protection system that could serve as a framework for such policies and lay the foundations for coherent and consistent linkages between social and economic policies.

Covenants of social protection and cohesion are concluded among organized stakeholders in coordination with the State. The most organized groups within the production sector (trade unions and business associations) are not the only actors linked to the State and political system, however. This is partly because modernization and globalization have weakened trade unions and their linkages with the political system. Another factor is that these same processes have produced a more complex map of social actors as new ascriptive groups based on factors such as geographical location and age have emerged. It is also vital to bring representatives of excluded groups, especially informal workers, to the table. This poses another challenge for democracy: the challenge of raising the profile of “invisible” stakeholders or, in other words, levelling the playing field in terms of active participation in decision-making. Finally, since participation in public affairs is increasingly taking place at the local level (in the “global village”), any deliberative process undertaken with a view to forging a covenant of social inclusion or cohesion should also include local actors from the public and private sectors.

Political parties have a key role to play both in appraising and in building such a covenant. From the standpoint of the critical assessment of such an agreement’s contents, however, political parties in many of the region’s countries have lost some of their ability to represent social demands and have become overwhelmed by de facto power groups and the proliferation of actors whose demands are increasingly difficult to merge into a single voice. The vital nature of political parties’ role in constructing a social protection covenant stems from the fact that they are the ideal channel for mediating and formalizing relations between the State and civil society, or between the disperse logic of social actors and the more coherent logic embodied in consensus-based political proposals.

It is just as important to promote the stability and reinforcement of the democratic system and its institutions as it is to define the guidelines, foundational criteria and tools to be used by a social protection system. These elements constitute the underpinnings for a social covenant whose point of departure is a consensus regarding the solidarity-based measures to be used in sharing the costs of crises and in distributing the benefits of progress more fairly and equitably. By the same token, in order for democracy to enjoy legitimacy, economic and social organization issues need to be taken into account as part of the initial deliberative process. Economic and social policies must be backed up by greater political control and technical capacity in order to orient the economy towards the interests of the entire populace. The formation of such a covenant thus implies that political and social actors will furnish the necessary support to give policies a solid foundation and ensure their continuity. As such, it constitutes a vital link between social protection policies and the strengthening of democracy (see box I.4).

Box I.4
DEMOCRACY, THE ECONOMY AND POLITICS

There can be no effective democracy unless economic and social organization issues are included on the agenda. A substantive consideration of these issues is a fundamental component of any democratic system.

This line of reasoning has three main implications. First, it is hard to imagine a sound democracy in the absence of solid political parties capable of offering the electorate alternatives in terms of the economic and social order. Without such ideological competition, politics becomes, at worst, pure clientelism and, at best, an electoral contest between potential “public managers”. Perhaps these two concurrent trends and politics’ current lack of appeal are attributable to a loss of basic content. It is of vital importance to endow democratic systems with greater substance and thus reverse this trend in order to ensure that political action will meet development needs more effectively.

Second, in order to achieve this outcome, steps must be taken to ensure that the academic debate is a pluralistic one and to set up mechanisms capable of converting these technical debates into a social dialogue. To this end, interaction between academia and social organizations should be encouraged, and these kinds of discussions should be disseminated via the mass media.

Third, the strengthening of technical units or bodies and independent economic authorities must be accompanied by appropriate political oversight. One crucial area of endeavour in this regard involves measures for building the capacity to conduct such oversight properly. Priority must therefore be given to setting up technical support teams to advise members of Congress, political parties, trade unions, community organizations and business groups as a means of helping them deal successfully with technical departments and units within the governmental structure. This is a priority item on the democratic agenda that has received insufficient attention to date.

Source: José Antonio Ocampo, *Reconstruir el futuro. Globalización, desarrollo y democracia en América Latina*, Bogotá, D.C., Economic Commission for Latin America and the Caribbean (ECLAC)/Grupo Editorial Norma, October 2004.

There is no need for a social and political agreement to stipulate whether or not citizens are rights holders by definition or whether or not those rights should be protected automatically, since there is no question about either point. What should be specified, on the other hand, is which rights should be guaranteed for the whole of society and to what extent, given that society’s level of progress and the potential risks faced by its citizens. This obliges all stakeholders to subscribe to a principle of social solidarity as manifested in the intragenerational and intergenerational distribution of material and financial resources, access to health and education services, and risks and opportunities.

It is therefore more a question of which rights or what degree of enforcement should form the backbone of a renewable social covenant. In other words, what should the specific content of a social protection contract be at any given moment in time? In Latin America and the Caribbean, for instance, countries with a large number of people living in poverty or extreme poverty are unlikely to be able to extend their social protection policies to other at-risk sectors of society. For countries that have succeeded in sharply reducing their poverty levels, on the other hand, limiting social protection to the poorest groups might well be a regressive measure, especially given the size of middle-income sectors that, in the absence of support, would be at risk of job insecurity, low income levels or both.

This means that the substance of a rights-based social covenant or contract cannot be applied across the board to all countries in all circumstances. Although the rights themselves are universal, the standard of implementation that is judged to be adequate is determined by historical factors. Social contracts must therefore take these variations in time and space into account by adjusting to rising or falling levels of resources and to increases in the thresholds that must be crossed in order to lift people out of poverty, mitigate vulnerability and reinforce social inclusion. Furthermore, the starting point for a social protection covenant must be a recognition of the fact that the three principles of social protection systems (solidarity, universality and equivalence) must be in balance in order to permit the use of a proper mix of incentives. That balance is not an automatic given: it must be built and legitimized, and it is no mean feat to reach agreement as to an optimum

combination of incentives to encourage individual contributions and transfer mechanisms to serve the interests of solidarity and universality.

In summary, a covenant must seek to reflect a consensus regarding the following elements:

- A minimum threshold of social protection to which all members of society are to have access simply by virtue of their citizenship. This threshold should be set at a realistic level, however, in terms of the society's stage of development and viable levels of inter-sectoral redistribution and transfers.
- The rate at which this basic minimum is to be increased, together with the sequencing and progressiveness of the steps taken to do so. Consideration must be given to attaining a feasible level of resource redistribution, but efforts should also be made to expand the supply of available resources through economic growth. This approach will allow redistributive mechanisms to be used in combination with measures for safeguarding competitiveness and the sustainability of growth.
- Tangible manifestations of solidarity, although the exact mechanisms may vary from country to country. Precisely because there is no single, universally applicable model, it is very important to have an institutional structure with sufficient authority and legitimacy (from the standpoint of both the State and society) to implement the relevant social policies. What is at stake here is society's support for the regular use of mechanisms to carry out transfers between members of the economically active population and retirees on the basis of age, gender, employment status or income; between private contributors and public beneficiaries; between persons in high-income and low-income groups; between employers and employees; and between sectors that are covered by social protection systems and sectors that are not.
- State-enforced regulatory procedures to guarantee the effective use of these solidarity-based mechanisms. This may involve a suitable combination of public and private financing for benefits and services (including compensation funds); individual and public contributions (balancing incentives with transfers); taxation and the tax structure; and distribution of costs and benefits through labour reforms.
- A progressive social expenditure and taxation system that clearly defines the intended use of any increases in spending or taxes, which should be directed towards social investments that will clearly benefit the most vulnerable groups. Specific action should be taken to ensure that such resources are not used for other purposes.
- Agreed standards in relation to the social impact of funding increases. The job of upholding these standards should be assumed by the State as one of its obligations under the social covenant.

This kind of social protection involves two different rationales: one in which there is a fairly linear relationship between contributions and benefits, and one that clearly separates contributions from benefits through the use of taxes or crossed subsidies. In the first case, people expect to see a straightforward relationship between what each person contributes to social security and the benefits which that individual receives. The best examples of this linear relationship are individual risk insurance or individual funded pension systems. Such systems are based on the principle of individual equity.

The underlying rationale is quite different in the case of collective equity, the main example of which is a social assistance or welfare system. Under these sorts of schemes, contributions are collected through taxation, and benefits are not directly related to the amounts paid in by contributors. What is more, the people who receive social assistance benefits tend to be those who pay the least taxes throughout their working lives. Social assistance systems therefore function as a

redistribution mechanism for channelling transfers from the people who have the most to those who have the least. The definition of which rights are guaranteed and which risks society is willing to assume as its collective responsibility should lead to an explicit designation of public goods whose provision by the State—and only by the State—is indelegable, regardless of whether the delivery of such goods is conducted by public or private institutions.¹⁹

Within this framework, a social covenant or contract that sets acceptable standards of social protection for all citizens will invariably be situated somewhere along the line that stretches between the extremes of individual equity and social equity (i.e., between a direct correlation of contributions to benefits, on the one hand, and the social optimization of the benefits financed by total contributions, on the other). The ideal balance is one that facilitates the efficient mobilization of a maximum amount of resources while achieving or maintaining a distributional optimum in the use of those resources for the purposes of social protection.

As was stated at the outset, a social protection covenant is an equation in which social rights are the normative horizon, while existing inequalities and budgetary restrictions are the limiting factors to be dealt with. The ethical imperatives that underpin a social rights-based covenant must be reconciled with the financial constraints generated by the dynamics that will be described in the following chapters of this study. Another aspect to consider is the optimum use of resources to increase the coverage and quality of services, especially for those people with little or no access to them. The proposals put forward in this document are designed to build bridges between social rights and policies aimed at achieving simultaneous increases in access, financing and solidarity.

This study will therefore devote special attention to some of the main issues associated with social protection. The assessments and proposals regarding health and social security systems offered in the following chapters are based on the inclusive capacity of the labour market and support programmes for the poorest sectors of society. These inputs, which are the core components of this study, are designed to contribute to the definition of a modern social covenant or contract based on the right to social protection.

The following chapters do not cover a number of issues that are of key importance in relation to social protection and inclusion, such as education, human settlements, infrastructure and the provision of basic services. In the interests of producing a concise and thematically coherent analysis, the scope of this study has therefore been confined to the topics identified earlier. Nor does this analysis relate social protection to the United Nations Millennium Development Goals, since that subject has been covered in an earlier document on the follow-up to the Goals in Latin America and the Caribbean, which included contributions from a wide range of United Nations agencies active in the region and was coordinated and recently published by ECLAC (United Nations, 2005). In order to avoid any overlap, the aim has therefore been to make a specific contribution to an understanding of social protection issues relating to health, social security and direct transfers that are gaining political momentum in the region.

Whereas this chapter has focused on rights as a basis for examining the relevant data, the remaining chapters will move in the other direction using an inductive approach. The current situation is thus used as a starting point for exploring possible options and determining the optimum levels of social protection within existing constraints. This is not to deny the value and binding nature of social rights, as is underscored by the fact that the first chapter of this study has been devoted to that subject. Instead, the idea is to provide a historical context for the issue of social rights in the region, taking into account the countries' current possibilities, their available resources and the potential for distributing them in a way that optimizes protection without overlooking the importance of maintaining their economies' viability, sustainability and

¹⁹ The State must control, regulate and monitor the provision of public goods to ensure that they meet quality standards and are distributed to recipients in the quantities stipulated.

competitiveness. In the final analysis, after all, equity and balance are two sides of the same coin in terms of social protection.

ECLAC hopes that this study will provide substantive inputs for a social protection covenant by helping to reconcile resource constraints with the potential that public policies have to make a difference in people's lives. This first chapter has outlined the main groups within society that are called upon to help shape a social protection covenant. In the chapters that follow, stylized analyses will be used to arrive at a more detailed profile of these stakeholders. The aim is to put forward viable options for moving towards full and effective entitlement of men's and women's social rights in Latin American and the Caribbean by rectifying inequalities and managing the constraints and opportunities associated with the current phase of globalization.