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Veröffentlichungsversion / Published Version
Arbeitspapier / working paper

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Empfohlene Zitierung / Suggested Citation:

Blofield, M., & Hoffmann, B. (2020). *Social Policy Responses to the COVID-19 Crisis and the Road Ahead*. (GIGA Focus Lateinamerika, 7). Hamburg: GIGA German Institute of Global and Area Studies - Leibniz-Institut für Globale und Regionale Studien, Institut für Lateinamerika-Studien. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-70067-4>

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Social Policy Responses to the COVID-19 Crisis and the Road Ahead

GIGA Focus | Latin America | Number 7 | October 2020 | ISSN 1862-3573

Aside from the health challenge, the COVID-19 pandemic has brought an unprecedented social crisis to Latin America and the Caribbean (LAC). To avoid a humanitarian disaster, governments across the region have responded with a marked expansion of social protection measures. These, however, vary greatly with regard to speed, breadth, and sufficiency.

- People cannot stay at home if they cannot feed their families. Governments recognised at varying speeds that income assistance measures are central to an effective epidemiological strategy.
- Both the lockdown measures and the associated economic crises have highlighted the gaps in existing social protections in Latin America, as half of the region's employed population works in the informal sector. Many of these workers lost their income virtually overnight.
- To cover the needs of informal workers, the most effective governments established relatively inclusive eligibility criteria for cash assistance that allowed low-income households to self-identify and apply. The result is an extended registry that has expanded state capacity, on which further social protection policies can build.
- The region's two largest economies, Mexico and Brazil, have both suffered high pandemic-related infection and mortality rates, but sharply differ in their social policy approach. The left-wing Mexican government stands out for not establishing any nationwide cash assistance programme in the wake of COVID-19. By contrast, Brazil underwent a massive, opposition-driven expansion of social protection coverage, which eventually boosted the right-wing government's approval ratings among the poor.

Policy Implications

This year's Nobel Peace Prize awarded to the World Food Programme on 9 October recognizes the fundamental human need for sustenance. The social protection floors that were established ad hoc in the course of the COVID-19 crisis in Latin America need to now be extended to ensure that families can continue to feed themselves. The policy expansion efforts of the crisis could be used as an opportunity to overcome the deficiencies of Latin America's social security schemes and to build a more universal social protection floor for the longer term.



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The COVID-19 pandemic has presented an unprecedented health crisis for Latin America. Moreover, the lockdown of business activity and much of public life as well as the disruptions of global trade and traffic have also thrown the continent into a social crisis of historic magnitude. While countries are still struggling to find paths to economic recovery, governments have had to urgently resort to social policy to avert humanitarian disasters. They did so in greatly varying ways. This GIGA Focus takes stock of the social assistance measures adopted across the continent, discusses their effects, and identifies lessons to be learned for the coming months and years. It draws on research conducted in the framework of a report for the Economic Commission for Latin America and the Caribbean (ECLAC) co-authored by Merike Blofield, Cecilia Giambruno, and Fernando Filgueira (2020).

The SARS-CoV-2 virus reached Latin America at the end of February and quickly spread throughout the region. The social effects of the crisis were likewise felt quickly: the fallout from the measures taken to fight the spread of the pandemic left large sectors of the population without their sources of income. Government action to ensure social protection for these households became urgent not only for its intrinsic value – guaranteeing people’s livelihoods and a basic level of material well-being – but also for its instrumental value: only if people can cover their basic needs at home can they be expected to adhere to social distancing measures put in place to reduce the epidemiological risk. As a consequence, since mid-March, Latin American governments have gone through a marked but varied policy expansion in social protection measures.

Expanding Social Protection

As social distancing and quarantine measures were imposed, economies came to a halt. By early May, according to one survey, more than two-thirds of workers in low-income households in Latin America had lost their jobs due to the pandemic (Bottan, Hoffmann, and Vera-Cossio 2020). With little or no savings, many faced acute food insecurity.

Nevertheless, the speed of social policy reactions has varied considerably across the continent, as have the adopted programmes’ breadth (the extent to which all families or individuals in need are eligible and receive assistance) and sufficiency (the extent to which the assistance indeed covers basic necessities).

Almost half of Latin America’s employed population works in the informal sector. As a consequence, social policy has had to reach different groups in different ways. Increased social protection was implemented fastest for those included in existing social security schemes. By the end of March, all governments had announced some form of labour or income protection for those in the formal sector (albeit with great differences in scope, speed of implementation, and follow-up measures). Many governments also forbade the suspension of utilities due to non-payment and/or subsidised such payments more broadly.

A second group that governments reached rather easily were households included in existing non-contributory assistance schemes. Over the past two decades, most of the region’s countries have set up some form of conditional cash transfer (CCT) programme, with Brazil’s “Bolsa Familia” scheme – the flagship project of the Lula/Dilma governments – being the largest and most prominent. Even with

these programmes, one of the enduring problems in the region is the concentration of poverty in children: 46 per cent of the region's children live in poverty, while the corresponding figure for those over 65 is 15 per cent (ECLAC 2019).

With the onset of the lockdowns, most governments pledged additional cash assistance to the households in these schemes. Given that they were already in government databases and regularly received transfers, delivery to these recipients was relatively rapid and uncomplicated. A number of measures were also taken to uphold or extend in-kind assistance. For instance, as schools closed, countries that had provided free or subsidised meals to children shifted to provide food assistance by way of designated pick-up stations.

The greatest challenge to providing assistance was presented by those informal-sector workers who (and whose families) were not integrated into either of these schemes. For this population, countries as politically and socially different as Argentina, Brazil, Peru, Bolivia, Costa Rica, and Uruguay all established more inclusive, "demand-driven" mechanisms whereby those who had lost their income could self-identify and apply. While government agencies then evaluated the eligibility of the applicants, it was the introduction of these self-identification schemes that allowed governments to more accurately assess the extent of need and more effectively reach those requiring assistance.

Some countries, such as Ecuador and Colombia, maintained more restrictive criteria and did not allow for self-application. The outlier is Mexico, which stands out in the region for not instituting any new nationwide cash transfers in response to the pandemic. In 2019 the newly elected left-wing president, Andrés Manuel López Obrador (known as "AMLO"), had replaced the existing non-contributory cash transfer programmes in Mexico with new ones. However, for families with children, the programmes' breadth and sufficiency were low; without any additional infusions into these programmes or the establishment of new cash transfer schemes, Mexicans have been hit particularly hard. A UNICEF survey published in September of this year found that 80 per cent of households with children were unable to meet basic nutritional requirements (UNICEF 2020). From 80 per cent approval in early 2019, AMLO's approval has declined, plateauing at a (still high) 60 per cent, although 60 per cent also disapprove of his handling of the economy (Americas Society 2020). What stands out in the case of Mexico is the lack of widespread criticism, protest, and demands for more social assistance.

While the establishment of demand-driven models of assistance has been central to the region's coping mechanisms, these schemes have nevertheless been slow to process applicants and deliver aid. New databases had to be created, and mechanisms to reach this population had to be established. This often led to people being forced to wait in long lines to file applications or receive transfers, which increased epidemiological risks. Governments sought to create digital mechanisms, including mobile phone apps, through which to apply for and process assistance. More than once, overwhelming demand led to the collapse of these new online systems. In addition, exclusive reliance on digital means created barriers: the initial physical closing of offices in Brazil, for example, made it difficult if not impossible for people not digitally connected to receive the aid they were eligible for. Finally, delays in delivery also affected the spread of the pandemic, as such delays forced people out of their homes to earn their livelihood: for example, despite the Peruvian president's keen desire to deliver cash assistance to vulnerable households, years of lack of

public investment in state capacity hampered the ability of his government to make good on its April promise, with assistance finally reaching the remaining 2.5 million households only in August. These delays only hastened the spread of the virus, leaving Peru with, to date, the highest reported number of COVID deaths per capita in Latin America, along with a collapsed economy.

The Politics behind Social Policy Expansion

The emergency social protection measures have, of course, alleviated some of the economic suffering and hardship of the past six months; without these measures, misery and suffering in the region would be enormously greater (Lustig et al. 2020). Exceptions notwithstanding, the speed, scope, and breadth of this policy expansion contrasts with the gradual process of social policy advances over the past two decades, most of which resulted from extensive policy deliberation and often came in the context of electoral competition, which led to policies that were less discretionary than those made prior to the turn of the millennium (see, e.g., De la O 2015; Garay 2016).

In the compressed time frame of COVID-19 crisis management, politics played out differently. The eventual outcome was not only shaped by executive action but was also the result of national consensus-seeking across party lines, executive–legislative interaction, and initiatives from subnational and/or opposition actors. Where national politics was caught in a deadlock, significant sectors of the population were left without much-needed assistance. In Ecuador, opposition in Congress blocked President Lenín Moreno’s Humanitarian Assistance Plan; when it was eventually approved two months later, little that could be termed humanitarian assistance remained. In Costa Rica, congressional opposition delayed until late July the government’s planned coverage expansion of the social protections. Where initial responses were backed by broad-based national unity, such as in Argentina and Peru, these efforts gave way over time to executive–legislative conflict. In Peru, elements of a fragmented and obstructive Congress even tried to impeach the president in September.

In both Chile and Brazil, it was congressional opposition and civil society pressure that led to more inclusive and sufficient policy responses. In Brazil, the right-wing government of Jair Bolsonaro, in a push led by economy minister Paulo Guedes, initially offered relatively narrow and meagre benefits. However, 2020 will see local elections in all 5,568 of the country’s cities on 15 and 29 November; against this backdrop, opposition in both civil society and Congress rapidly mobilised, leading at the end of March to an – eventually unanimous – passage of a bill for broad emergency assistance to vulnerable households. By July, Brazil’s emergency assistance programme had reached one-third of Brazilians. Reports indicate that the programme actually reduced extreme poverty among some of the most vulnerable households. When Bolsonaro saw the chance to win over a popular support base, he performed an about-face from his hitherto unrelentingly dismissive approach to the virus and any corresponding relief packages and came to champion the measures. For the moment, Bolsonaro’s political calculus seems to have paid off: A recent poll shows that especially among Brazil’s vulnerable groups and in the country’s poor Northeast, long the stronghold of the left-wing Workers’ Party (Partido dos

Trabalhadores, PT), the president's popularity has risen. According to the pollster, of Bolsonaro's five-percentage-point gain in approval ratings, three points can be attributed to support from low-income informal workers who were the target of the emergency relief payments (Reuters 2020).

In Chile, the process was more incremental. In the face of resistance from the conservative Sebastián Piñera government, the opposition repeatedly pushed for congressional votes in May, June, and July to expand income support to broader groups of people and increase the sufficiency of the transfers. Eventually, individuals and households were able to apply for assistance, and the vast majority of households in need – with members working likewise in the formal and informal sectors – were able to access some form of support. However, the reticence and at times outright tone-deafness of the government over several months did not improve the president's rock-bottom approval ratings following the explosions of social protests in late 2019. Heading into the constitutional convention plebiscite scheduled for 25 October 2020 – a vote with transformational implications for a country that retains a dictatorship-era constitution – expectations are running high: while only 15 per cent of Chileans approved of President Piñera in August, 74 per cent approved of the constitutional reform process (*La Tercera* 2020).

Uruguay stands out as the one country in South America that has kept SARS-CoV-2 infections extremely well under control, with just 2,000 registered infections by the end of September (and this despite extensive testing). In terms of social policy, the conservative government of Lacalle Pou, sworn in on 1 March 2020 after 15 years of left-wing Broad Front (Frente Amplio, FA) governments, was able to build on the extraordinary breadth of the existing social protection system. As a result, a large share of Uruguayan households were covered as these existing mechanisms were utilised, including German-style *Kurzarbeit* measures. While the government also created a relatively speedy mechanism for informal-sector households to get food assistance, its sufficiency was very low.

The other Latin American country that has kept the epidemic well under control is Cuba, with just 5,500 infections by the end of September (compared, for instance, to more than 110,000 in the Dominican Republic, whose population size is similar). However, the combined effect of declining Venezuelan support, stepped-up US sanctions, low domestic productivity, and the collapse of tourism due to the COVID-19 crisis has left Cubans in a dire economic situation. The country's socialist system makes for a unique social policy system, based on across-the-board subsidies for housing, utilities, and food provisions distributed via the rationing-card system. In principle, the Cuban Communist Party's economic reform agenda identified this scheme as economically unsustainable and sought to move to more targeted social policies. In the present crisis, however, giving up the rationing card seems to be off the cards. While it does provide for universal food assistance, the meagre quotas are not meant to get households through the month but to complement regular food acquisitions. However, as provisions of all kinds have become scarce, sufficiency has become precarious.

From Ad Hoc Responses to Durable Solutions

The effects of the pandemic have highlighted the glaring existing social protection gaps across the region, with the exception of Uruguay. Half a year into the pandemic, the key question now concerns not only the breadth and sufficiency but the continued *duration* of the temporary emergency assistance measures. With continued economic devastation and the epidemiological imperative of social distancing, the need for social assistance remains crucial. The debate in many countries is now turning to the prolongation of these assistance measures and the potential establishment of more permanent forms of income protection floors.

This debate also addresses what has been a long-standing structural deficit of Latin America's social protection systems: that, in following the model of the advanced economies, social protection systems were linked to formal employment. The conditional cash transfer programmes established over the past 20 years have been instrumental in reaching informal-sector workers, who comprise the majority of workers in most of the region's countries. However, the COVID-19 crisis has demonstrated not only the need to further widen social protection floors, but also a way to do so.

Looking forward, policymakers can draw on the experience of the past six months. Where demand-driven schemes are now in place, governments can use the updated databases for longer-term social protection measures. Governments that have not put such measures in place could take a best-practices approach by learning from the early movers how to avoid certain initial pitfalls and how to most effectively set up mechanisms for self-identification, evaluation, and registration.

In adjudicating this assistance, a principle of inclusion should apply. In April, President Martín Vizcarra of Peru succinctly described the necessary change in logic: “We have decided to not look just for the most vulnerable families, those who have the least, because [if we did that] we would fall short. This [transfer] needs to now be for all families and exclude those with a salary” (cited in EFE 2020; emphasis added, authors' translation).

Along with a principle of inclusion, governments should also ensure sufficiency, making sure that transfers cover the basic necessities of all household members, including and especially children. The developmental damage from widespread nutritional deficiencies among children could be one of the most devastating long-term consequences of this pandemic.

The argument for a universal protection floor is by no means an argument for giving up on labour formalisation. In fact, once an inclusive social protection floor is in place, other policies, including more effective forms of labour formalisation, can be initiated. Higher formalisation allows for more efficient and targeted spending to ensure a social protection floor, including, and especially, for those outside the workforce.

There is no dearth of voices wondering how such social assistance in the medium and longer term can be financed. However, establishing a near-universal social protection floor is actually not that expensive: Ensuring all children under 18, all informal workers, and all those above 65 an annual income at the extreme poverty level to cover basic necessities would cost only an estimated 5.4 per cent of regional GDP (Filgueira et al. 2020). For some of the poorer countries, especially in Central America, multilateral assistance is vital. For the more developed countries, the bar-

riers to ensuring such a floor are more political than fiscal or technical. If we take unsustainable borrowing off the table, the challenge comes in the form of redirecting government expenditures in more equitable and efficient ways and increasing the tax burden in a region where most elites pay far less in taxes compared to their counterparts around the world. Perhaps this crisis affords a window of opportunity to foreground such policy proposals on Latin American countries' political agendas like never before.

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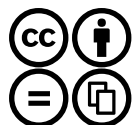
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