

THE ARGENTINE POLITICS OF WELFARE STATE ADAPTATION FAILURE

Labour Market Transformation and Social Policy after Import Substitution Industrialisation, 1976 – 2010

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This case study examines the politics of failed welfare state adaptation in the context of profound labour market transformations since the abandonment of the Import Substitution Industrialisation (ISI) strategy in Argentina.

During the recent years, a growing political science literature has emerged that focusses on social policy adaptation processes in post-industrialising societies. The underlying finding of this literature is that in most OECD countries, post-industrialisation processes have caused important changes in the constellation of the prevalent social risks. Most of these changes were strongly related to transformations of the labour market. So, for example, has the number of long-term unemployed increased in the majority of the countries, work histories have become more unstable, precarious employment has expanded, and female labour market participation has risen. In most cases, these changes required an adaptation of the respective welfare states in order to guarantee adequate levels of social protection. However, the way in, and the extent to, which social policy reforms during the last decades have been responsive to these changes varied significantly between countries. On this background, political scientists as well as social policy researchers of other disciplines have studied the politics of welfare state adaptation in order to find explanations for this variance and to identify the determinants adaptation processes.

Until now the literature on this topic is virtually restricted to OECD countries. Nevertheless, there are relatively advanced welfare states outside the OECD that have been confronted with comparable processes of labour market transformation during the last decades. On the basis of a wide range of empiric data, this case study shows that since the abandonment of the ISI strategy during the mid 1970s, Argentina has experienced a profound transformation of the labour market, which comprised strong rises in unemployment, precarious (informal) employment, and income inequalities, as well as increasingly unstable work histories. Female employment rates have increased strongly since then. These labour market transformations posed severe challenges for the effectiveness of the Argentine welfare state, which had virtually been designed for a dominantly male breadwinner full employment labour market. On the basis of a detailed analysis of disaggregated spending data and social policy legislation between 1975 and 2010, this study shows that Argentina constitutes an extreme case of welfare state adaptation failure. Firstly, the transformation, respectively the deterioration, of the Argentine labour market has been extraordinarily profound. Secondly, the specific institutional setting of the 'informal-corporatist' Argentine welfare state during the mid 1970s was particularly incapable of coping with the social consequences of the labour market changes that came afterwards. And thirdly, social policy reform after 1975 has hardly responded to these changes. The dramatic rise in poverty rates from around 5 % in 1974 to a maximum of about 50 % in 2002 indicates, among others,

how ineffective the Argentine welfare state has been in protecting its citizens against the basic social risks.

On the basis of empiric data about the Argentine social and economic structure, this text argues that the interests with regard to welfare state adaptation have been diverging largely along class-lines since the abandonment of the ISI strategy. In contrast to so called pluralist approaches, which emphasise the importance of multiple and rather fragmented interest groups such as social policy constituencies of different programmes, this text argues that the majority of working class and poor citizens would have benefited from welfare state adaptation rather independently of the respective programme. On the other side, the redistributive requirements of welfare state adaptation, as well as its potential labour market effects, conflicted strongly with upper class/capital interests. In accordance with the power resources theory (PRT), this study finds that the failure of welfare state adaptation over the long run has been contextualised, and largely determined, by a shift in the distribution of power resources in favour of capital and in detriment of labour since the mid 1970s. At the same time, this text argues that PRT's concentration on working class power, and the indicators applied to measure it, provide a too narrow perspective as to capture adequately the relations of power in Argentina. Furthermore, social policy is not only determined by the relations of power between different actors, but also by the political behaviour of these. By combining a PRT approach with a broader perspective on power on the one hand, and institutionalist approaches on the other, this text seeks to deliver an encompassing explanation of welfare state adaptation failure in Argentina. More than most PRT studies, this text examines the active role of employers' power, and considers besides organizational and electoral also ideological power resources. 'Path-dependency theory' and other rather institutionalist approaches to welfare state development have argued that institutions and historical legacy have influence on the behaviour of the different social policy actors and interfere in the distribution of power resources between them. This text argues, that in Argentina they have done so in a way that proved highly unfavourable for the likelihood of welfare state adaptation. The once chosen social policy path and the formal and informal institutions of the Argentine political system weakened the political power of the would-be beneficiaries of welfare state adaptation and provided important incentives for politicians and trade union leaders not to promote reforms in this direction. These incentives also contributed to the lack of cooperation between the organisations of formal, informal and unemployed labour.