



# Chile

Population <sup>i</sup>	16,803,952
Age structure	
• 0-14 years	23.2
• 15-64 years	68.1
• 65 years and over	8.8
Infant mortality rate (per 1,000 live births) both sexes <sup>ii</sup>	7
Life expectancy at birth (years) female	81.7
Life expectancy at birth (years) male	75.6
Maternal mortality ratio (per 100,000 live births) <sup>iii</sup>	16
GDP per capita	
• Current USD <sup>iv</sup>	10,084
• PPP (current international \$) <sup>v</sup>	14,436
• Constant local currency	3,848,916
Unemployment rate <sup>vi</sup>	8.6
Human development index (HDI) rank <sup>vii</sup>	44
HDI poverty indicators – Human poverty index rank	10

# The *Red Protege*, the Social Protection System, 2006-2010

Clarisa Hardy

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Chile

## Summary

The social protection system, the *Red Protege*, integrated with intersectoral components (mainly education, health, housing and social security), is organized in three core parts or subsystems:

- the poverty and vulnerability social protection system (Chile Solidario);
- the comprehensive child social protection system (Chile Crece Contigo); and
- the labour social protection system.

The social protection system elaborated between 2006 and 2010:

- supports and guides people throughout their life cycle;
- considers the family, in all its diversity, as the recipient and not the supporter of social protection;
- combines direct monetary transfers (immediate distributive actions) with promotional or development initiatives to build and equalize opportunities; and
- secures rights based on a legal framework that institutionalizes social protection.

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## INTRODUCTION

The most significant shift in the direction of social policies in Chile in the last 20 years – counting from 1990, when the democratic process resumed after being interrupted by the 1973 military dictatorship – is the transition from a logic based on satisfying basic needs to one of guaranteed rights.

Although a great effort was made to progress in social development in the first decade of the democratic governments of the Concert of Parties for Democracy (Concertación de Partidos por la Democracia), the majority of the public policies were directed to dealing with the magnitude of poverty inherited from the dictatorship period. It was only in the late 1990s – which saw marked progress in

eradicating poverty through two consecutive governments – that a new social-policy model based on guaranteed social rights began to be endorsed.

The first initiatives emerged under the government of President Ricardo Lagos (2000-2006). These initiatives included a new programme for overcoming poverty, called Chile Solidario, which covers the provision of minimum guaranteed benefits for the poorest families in the country. Guaranteed rights were also present in a health reform that, through the Universal Plan of Explicit Health Guarantees (el Plan de Acceso Universal con Garantías Explícitas, AUGE), establishes explicit assurances for a set of pathologies. Likewise, the unemployment insurance was guaranteed for all formal-sector workers.

These guidelines were adopted by the successive government of Michelle Bachelet (2006-2010),<sup>1</sup> which is moving towards not only guaranteeing social rights to the population (including all social policies throughout the life cycle of families) but also extending these rights to social groups further away from poverty and institutionalizing them in the form of a social protection system. For purposes of public dissemination, the system was named the *Red Protege*.

This case study, which sheds light on the social protection system, the *Red Protege*, first reviews the context in which this social protection system emerged: the political, economic and social back-

ground that preceded it between 1990 and 2006. This is followed by an analysis of the conceptual and empirical foundations that support the system. The third part of the study presents the characteristics of the social protection system and its components as well the instruments used for its implementation. The case study concludes with a discussion of the legal and financial mechanisms that make the *Red Protege* feasible as part of a political agreement that allows social protection to be understood not as a government programme but as a definite State policy – a policy not to be questioned at every change of government.

## **BACKGROUND (1990-2006)**

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The broad social achievements to which the democratic governments initially committed themselves were overcoming poverty, ensuring the transition from dictatorship to democracy, and building political trust in the ability of the ruling centre-left coalition to manage the economy responsibly. This combination of priorities to establish and stabilize democracy, to govern the country's economy responsibly and to integrate the poorest people into Chilean society was what enabled the centre-left alliance to rule without interruption for 20 years, through four successive governments, and to guarantee gradual institutional continuity to social policies, achieving successful results in terms of overcoming

<sup>1</sup>During the Lagos government, a political reform shortened the presidential term from six to four years – a reform that came into effect with the next administration.

poverty and universalizing access to social benefits.

Between 1990 and the start of the Bachelet administration and the implementation of the social protection system in 2006, the rate of economic growth in Chile averaged 5 per cent (including the recession period caused by the Asian crisis), per capita income tripled (from US\$3,000 to approximately US\$10,000),<sup>2</sup> and poverty decreased from 38.7 per cent to 13.7 per cent of the population. Extreme poverty, meanwhile, declined from 13 per cent to 3.1 per cent. In relation to the rest of Latin America, Chile went from being the country with the fifth-highest poverty level in 1990 to the one with the least amount of poverty in 2006.<sup>viii</sup>

At the same time, there have been advances in securing universal access to social benefits, including the achievement of universal coverage in primary education; the reduction of secondary-education dropout rates (now less than 15 per cent); a marked decrease in maternal and child mortality (from 65 maternal deaths per 1,000 to 16 per 1,000 between 1990 and 2006, and, for child mortality, from 18 per 1,000 live births to 8 per 1,000 for the same period); the disappearance of malnutrition (from 5 per cent to 0.5 per cent of children in 15 years); and an increase in life expectancy, with the national longevi-

ty now similar to that of more developed countries.<sup>ix</sup> These indicators are among the most relevant and the most useful in explaining the prominent rank that Chile now holds in the human development index – a position that enables it to join the group of countries with the highest level of human development and that places it at the head of the group (along with Argentina and Uruguay) for the best social results in Latin America.<sup>x</sup>

The backdrop to this poverty reduction and progress on basic social indicators has been a fiscal policy option, regulated since 2000 (with the government of Ricardo Lagos), that, on the basis of the structural balance rule, supported the escalation of social spending, thus counteracting and preventing adverse economic cycles from punishing social spending and investment. In this way, Chile has been able to overcome economic crises by uninterruptedly increasing social spending, which now accounts for two thirds of total public expenditure.

Notwithstanding these significant social-integration indicators, which have enabled large segments of the population to break the circle of poverty and marginalization, distributional inequalities remain virtually unchanged<sup>3</sup> and discrimination continues to prevail with respect to unequal citizenship rights (owing to socio-economic reasons, gender, ethnicity,

<sup>2</sup>At the end of Michelle Bachelet's term (in March 2010), per capita income reached about \$15,000, thus integrating Chile into the region's middle-income group of countries. This is important to keep in mind for the purpose of understanding the scope of Chile's social protection system and the lessons to be learned from countries with similar socio-economic realities. *Source:* Treasury Department, Government of Chile.

<sup>3</sup>Between 1990 and 2006, the Gini coefficient slightly dropped from 0.57 to 0.54. Ministry of Planning and Cooperation (MIDEPLAN), "Serie 2: Distribución del Ingreso e Impacto Distributivo del Gasto", Survey of Socio-economic Characteristics (Encuesta de Caracterización Socioeconómica Nacional, CASEN) 2006.

age and territorial differences).<sup>xi</sup> These realities highlight the problem of social risks and defencelessness that hits thousands of socially unprotected households even if they are not poor or not only because of their poverty.

This scenario of combined economic progress, countercyclical policy and fiscal responsibility, low levels of poverty and the progressive universalizing of access to social benefits, along with the prevalence of inequalities, led to a shift in social policy as of 2000. This shift was consolidated during the government of Michelle Bachelet through the implementation of an approach of guaranteed rights for a broad set of social policies.

## CONCEPTUAL AND EMPIRICAL FOUNDATIONS

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Two aspects influenced the change in social policies and the shift from the view of people as “subjects of necessity” to “subjects with rights”: the existence of a more informed citizenry, aware of its rights and demanding of their enforcement, and the rapid socio-economic change experienced by Chilean society in a short period.

Regarding the first factor, as the tran-

sition to democracy and the establishment of civil and political rights progress, the population is growing less and less dependent and subordinate, having become aware of its rights and therefore able to demand that they be enforced. Since the late 1990s, after a decade of democratic governments, an increase in social mobilization has been observed in neglected sectors and in workers’ sectors that had held back – owing to fears that an authoritarian regime would return – on asserting their demands at the beginning of the transition to democracy.

This new political reality comes at a time when Chilean society is experiencing rapid social and economic changes: all the empirical evidence shows not only an accelerated reduction in the magnitude of poverty but in its “quality”, with the transition from a traditional to a modern poverty (a more educated populous, with access to improved housing conditions and basic social services, etc.).<sup>4</sup> At the same time, the number of non-poor who are working in low-paid and precarious jobs has increased,<sup>xii</sup> which produces a rise in mass access to benefits, though of a very different quality.<sup>5</sup> This situation creates, along with increased expectations of social mobility, frustrations and uncertainties associated with these new inequalities.

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<sup>4</sup>This trend can be observed in the general modernization of the consumption pattern of the population, when comparing the last two Population Censuses (National Institute of Statistics, 1992 and 2002, Government of Chile), and the changes observed in terms of mass access to benefits and social services, housing and basic social infrastructure, and telephone and the Internet, to mention a few important areas (Ministry of Planning and Cooperation, CASEN from 1990 to 2006).

<sup>5</sup>As many opinion polls reveal – polls that reflect the perceptions of public opinion and are supported, for example, by large gaps in the academic performance of students in public and subsidized private education compared to those who attend private schools financed entirely by families. *Source:* Quality of Education Measurement System (Sistema de Medición de Calidad de la Educación, SIMCE), Ministry of Education.

Poverty rotation is another important indicator of these changes as well as a manifestation of inequality phenomena, as evidenced by longitudinal studies conducted with the same group of nuclear families during a period of 10 years.<sup>viii</sup> In fact, these studies show that approximately one third of poor families that cease to be poor re-experience an episode of poverty at a certain point in their life cycle. On the other hand, families that are not poor do experience poverty conditions at some stages of their life. Successful poverty alleviation policies do not necessarily address the risks of falling into poverty – risks that are unequally distributed in society since vulnerabilities are unevenly spread out in a society with large socio-economic gaps. Indeed, 70 per cent of households have incomes below the national average income.<sup>xiv</sup>

This shows that social protection policies that persist in targeting only the poorest run the risk of becoming regressive, considering the extent of vulnerable non-poor sectors that, without any support, face either low incomes or uncertainty and job instability, or both.<sup>6</sup>

Figures on the distributional impact of social spending are illuminating, showing the significant distributive efficacy of the

State in society's poorest segment. However, the distributional impact is considerably lower in segments that are non-poor but still low-income; these segments have significant levels of vulnerability. The poorest decile of the population nearly tripled its revenues thanks to cash transfers and State health and education subsidies. Meanwhile, the following decile almost doubled its total revenues because of State intervention. However, from the third decile on, transfers decline considerably and are especially low between the fourth and the seventh decile, seeing as these households have incomes (as noted earlier) that fall below the average national income, which itself is low.<sup>7</sup>

In short, two thirds of Chilean families have incomes that are well below the national average and, of these families, barely less than half benefit from significant transfers.

Thus, at the beginning of the Bachelet government, the dilemma facing the new administration was not, as was the case a decade ago, how to reduce poverty but how to prevent its emergence and reproduction and how to ensure social protection (the observance of social rights) to those in need either because of their poverty conditions or

<sup>6</sup>Data disaggregated by deciles of the CASEN 2006, regarding education, the national labour force participation rate and female participation rate, unemployment, housing, female-headed household and national income share, which all reveal very high vulnerability in the first two deciles but also the presence of different grades and types of vulnerability between the third and the seventh decile (Ministry of Planning and Cooperation, 2006, "Serie 2..." and "Resultados de Trabajo...").

<sup>7</sup>For purposes of illustration and for providing examples in Chilean pesos, the average income of the poorest decile amounts to Ch\$63,866. Adding the cash transfers and health and education subsidies, the total revenue in the first decile rises to Ch\$164,595. In the case of the second decile, the average income amounts to Ch\$144,442 and with social spending transfers ends up at Ch\$229,621. This trend continues but declines gradually until the seventh decile, whose households have an average income of Ch\$437,417, in which case the transfer of social spending will add only Ch\$30,000, scarcely useful to cover expenses for education – especially higher education – or catastrophic illnesses and chronic diseases, etc. (Ministry of Planning and Cooperation, 2006, "Serie 2...").

their vulnerability that exposes them to risk of impoverishment.

Based on the notion of citizenship rights in their most complete sense (civil and political as well as economic, social and cultural rights) and in consideration of the social reality of inequality that unevenly distributes opportunities and capabilities, the Bachelet government established the social protection system, the *Red Protege*.

The prevailing socio-economic reality and the choice of a social policy aimed at addressing social vulnerabilities led the Bachelet government to recognize the necessity of extending social protection coverage to a radius that goes beyond poverty. However, the coverage of social protection components was not uniform and was defined differently for each component according to budget frameworks determined by economic authorities. Hence, the degree of coverage of the whole social protection system did not rely on analysis of the types of risk and vulnerability traits to be protected.

In fact, although the social protection system, the *Red Protege*, was extended beyond poverty, its coverage was different for each benefit (from protecting 20 per cent of the lowest incomes in the case of certain benefits to universal coverage of others); the notion of a standard population to be protected, whose definition

would determine budgetary requirements, was ignored. This matter was still pending at the end of the Bachelet government, and the need to extend social protection to the middle class was part of the presidential campaign at the end of 2009 (and is now part of the present political debate).

## THE SOCIAL PROTECTION SYSTEM, 2006-2010: FEATURES, COMPONENTS AND TOOLS

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The central features and logic behind the social protection system elaborated between 2006 and 2010 can be summarized as follows:

- **to support people throughout their life cycle.** For the first time, the social protection system recognizes the need to address, in an indivisible way, the beneficiaries of social protection policies throughout their life cycle, from birth to old age, not only privileging certain periods of their life or only certain age groups;<sup>8</sup>
- **to consider the family, in all its diversity,<sup>9</sup> as the recipient and not the supporter of social protection.** In families, it is likely to find members at different stages of

<sup>8</sup>A logic that has not been present in many known welfare models, which have generally favoured the final stage of the life cycle, focusing on pension schemes or retirement benefits at the expense of initial life stages or the protection of children, which is often partially or entirely marginalized. This has the effect of placing total or partial responsibility for childcare onto families (mothers), which not only leaves children unprotected but, given the nature of gender relations in the domestic and working realms of most countries, also imposes overly heavy demands on women's roles in society.

<sup>9</sup>The changes introduced, since 2006, in many programmes and cash transfers have enabled the extension of benefits to various forms of family and not only to married couples, which actually represent only half of Chile's families.

their life. This leads to a view of the nuclear family as the unit that needs to be protected – as opposed to isolating only some of its members for protection. This notion allows the synergy of different actions towards all members in the family group and the demand for the intersectoral actions that such an approach involves. Additionally, the absence of a predefined notion of the kind of family to be protected and the deployment of the system to the plurality of existing families – which freely and privately define their members – avoid the exclusion of non-traditional families. Most importantly, however, the distinguishing feature of this system is that it defines the family as a subject of protection as opposed to a unit that must bear the burden of the protection of its members. This is exemplified by the massive policies of child care and pre-school education introduced in 2006, which cover the period from nursery to kindergarten, thus giving mothers the time to study and work without compromising the cognitive and emotional development of children;

- **to combine direct monetary transfers (immediate distributive actions) with promotional or development initiatives to build and equalize opportunities (social investment with distributive impact in the medium term).** This is a central aspect of the new orientation of social policy, which

openly expresses an immediate redistributive option through cash transfers and housing subsidies, in combination with an option of equal opportunities, as a distributive medium-term strategy carried out through investments preferably but not exclusively in education and health. The articulation of these two components and their mutual determination allows cash transfers to be part of (but not to substitute for) opportunity policies; and

- **to secure rights based on a legal framework that institutionalizes social protection, specifying by law which rights are guaranteed and how they are to be extended.** Such areas as the coverage of diseases in the Universal Plan of Explicit Health Guarantees (Plan Acceso Universal con Garantías Explicítas en Salud, AUGE), the number of years of schooling guaranteed, the coverage of family allowances, basic solidarity pension, maternity protection and child care are expressly formulated in the relevant laws and regulations that operationalize the legal framework, gradually altering the previous arrangements in which budgets defined the type and extent of rights to be covered.

The social protection system has three core parts:

- **the poverty and vulnerability social protection system, Chile Solidario**, originally designed (in 2003 when its implementation

began) for families living in extreme poverty. As the system began making progress in the eradication of poverty, it started to incorporate other sectors of society, including non-indigent poor populations or groups with specific vulnerabilities, such as the homeless, the elderly and families with a disabled family member. For families of Chile Solidario, guarantees of rights are established in such important areas as: child, adolescent and adult education; health care for the whole family; and employability and income-generation programmes for heads of households. Perhaps the most innovative aspect of Chile Solidario is the personalized intervention in each family that makes this possible. Through professional psychosocial support, these interventions strive to reinforce family dynamics in order to restore or strengthen family ties and ways of living together as a condition for mobilizing personal will for integration and for exerting rights. The greatest achievement of Chile Solidario is managing to bring public services to the poorest and the most vulnerable – those who, despite being entitled to such rights, were not able to access them owing to misinformation, lack of initiative (the learned helplessness of systematic poverty) or inefficiencies in the public system. In addition, this system has generated sectoral coordination through its highly decentralized

operations and management;

- **the comprehensive child social protection system, Chile Crece Contigo**, designed to reach children in their early years and until they enter the school system. Chile Crece Contigo takes into account not only the rights of children ages 0 to 4 years but also maternity protection and the incentive for socially protected work of women. Among the rights guaranteed, there is a special subsidy for pregnant women (for the entire gestation period) and for children (from birth to 18 years of age) that reaches 40 per cent of the most vulnerable households. In addition, there are free nurseries and kindergartens – with time schedules personalized to the needs of mothers who work, study or seek employment – that are guaranteed to 40 per cent of the most vulnerable households in the first stage of implementation and are extendable to 60 per cent in the second stage as of 2010. Two other goals of Chile Crece Contigo are to humanize the process of pregnancy's labour throughout the public health system and – through primary health-care centres – to support the biopsychosocial development of children in the first year of life. Child development funds for children with disabilities – as well as preferential housing benefits, legal assistance, and job training for the mothers and fathers of these chil-

dren – will cover 40 per cent of the most vulnerable households. As in the case of Chile Solidario, the decentralized management of the comprehensive child protection system allows the synergy of all sectoral services located in the communities, the health system being the entry point when mothers have their first pregnancy check-up. It is important to keep in mind that 80 per cent of mothers are cared for by the public health system; and

- **the labour social protection system**, designed to promote decent work of male and female workers. This system led to legislation to regulate outsourcing, to impose a sanction on anti-union practices, and to establish labour courts and a labour council (although other legal initiatives are still pending, especially those relating to collective bargaining). It also includes unemployment insurance improvements. In order to protect the elderly at the end of their working life, the reform of the pension system provides for the strengthening of the non-contributory solidarity pillar. This measure protects all elderly men and women who have not planned for their old age by granting them a basic solidarity pension. This pension will cover 40 per cent of the lower-income households in the first stage and 60 per cent in the second stage (starting in 2010). This reform of the solidarity pillar also includes

State contributions for low pensions, social security contributions for youth and a bonus to all women for each child born alive. This way, women can increase their pensions if they are contributing workers or if they do not contribute but receive a basic solidarity pension.

These three axes are integrated with cross-sectoral components, particularly health, education and housing components. Since health has a central role throughout the life cycle, it is addressed through such areas as: bio-psychosocial support during pregnancy and the first year of life; strengthening of family health care, including during pregnancy and childbirth; reproductive health and teen pregnancy prevention; occupational health and safety; and special and free care for bedridden seniors.

To illustrate the deployment of the social protection system, the *Red Protege*, over the entire life cycle, the following table summarizes the main benefits provided during the stages of infancy; childhood and youth; adulthood; and, finally, old age.

In order to direct services to users, the social protection system, the *Red Protege*, requires instruments capable of identifying the factors of poverty and vulnerability. In this way, it can attend to personal and family situations and to the characteristics of the territories in which these families live – characteristics that may limit or exacerbate the families' living conditions.

Components of the social protection system, the *Red Protege*, throughout the life cycle

Stage of the Life Cycle	Benefit
Infancy (from pregnancy until school entry)	<p>Chile Crece Contigo</p> <ul style="list-style-type: none"> <li>• Guide to pregnancy and the first year of life;</li> <li>• Bio-psychosocial support in the first year of life;</li> <li>• Extension of post-natal care to adopted children;</li> <li>• Free nurseries and kindergartens (0-3 years) for 60 per cent of lower-income households;</li> <li>• Automatic child benefit for 40 per cent of lower-income households.</li> </ul>
Childhood and youth	<ul style="list-style-type: none"> <li>• Guaranteed free pre-kindergarten and kindergarten (4 to 5 years of age);</li> <li>• Obligatory primary and middle school;</li> <li>• Extension of the scholarship system;</li> <li>• Diversification of student support (study materials, food, school transport);</li> <li>• Extension of scholarship in higher education (technical college and universities) and postgraduate education;</li> <li>• Housing subsidies for young people;</li> <li>• Subsidy for the hiring of young workers.</li> </ul>
Adulthood	<ul style="list-style-type: none"> <li>• Equal wage for men and women;</li> <li>• Non-discriminatory curriculum and code of good working practices in the public sector;</li> <li>• Benefit to mothers for each child born alive;</li> <li>• Job training;</li> <li>• Unemployment insurance;</li> <li>• Housing subsidies for 40 per cent of lower-income households.</li> </ul>
Old age	<ul style="list-style-type: none"> <li>• Basic solidarity pension for 60 per cent of lower-income households and disabled people;</li> <li>• Solidarity pension contribution for lower-income households;</li> <li>• Subsidy for caregivers of bed-ridden people.</li> </ul>

The Government has developed instruments capable of identifying these social and territorial vulnerable conditions and identifying and assigning the type(s) of services needed:

- **social protection form:** A cus-

tomized instrument for access to the social protection system that identifies the families and individuals of the various programmes and benefits on the basis of their application, by request, at the community level. More than

10 million Chileans (over half the population) have their data recorded on a social protection form in all municipalities;

- **regional vulnerability maps:**

Contain the mapping of those territorial units that show no presence or a weak presence of services, and deteriorating environmental and living conditions. These units serve as a basis for a comprehensive and decentralized model of social protection intervention. Therefore, these maps are a tool that enables the prioritizing of social investment in basic services, especially connectivity, energy, water and sanitation or sewage treatment;

- **the Survey of Socio-economic Characteristics (CASEN):** An essential tool for the identification, characterization and measurement of orders of magnitude of the poor and vulnerable population (with different vulnerabilities to be covered by the social protection system). Mainly, however, the CASEN is an instrument for evaluating social policies and the distributive impact of social spending. Currently, the Survey is done every three years, but there are discussions on carrying it out more periodically to track yearly the impact of social policies. Besides this instrument, there exists an ex-

post permanent evaluation process for social impact programmes and investments, which evaluates a number of these programmes each year as background to the discussion of the Budget Law. The results of this evaluation process are decisive for establishing the continuity, interruption or redesigning of the programmes in question, whose budget is determined in terms of compliance with the evaluation's recommendations;<sup>10</sup> and

- **the Integrated Social Information System (SIIS):** Its function is to provide timely, relevant and detailed social information concerning the entire social services network, which reaches families through the social protection system, the *Red Protege*, and thus allows for the network's monitoring and tracking. This implies having a public sector capable of immediately responding to the specific social protection needs of families. This system, which has not yet been fully implemented, requires that all social information from all government departments be scanned and that all administrative records be operationally centralized. It is also a legal requirement associated with the cross-sectoral social protection system.

<sup>10</sup>This procedure was agreed to by the Ministry of Finance and the National Congress in 1998 and has, to date, been used to evaluate more than 300 programmes, some of them more than once.

## CONDITIONS OF FINANCIAL AND POLITICAL FEASIBILITY

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As the Chilean case shows, the feasibility of a social protection system is based on its institutionalization, which relies on bodies and legislation to ensure its funding and management arrangements.

### POLITICAL CONDITIONS: DEMOCRATIC DELIBERATION AND PARTICIPATION

The *Red Protege* is not a government programme but a legally regulated social protection system providing multiple services whose funding is secured by law. Thus, the first condition for the feasibility of the social protection network has been the strength of the country's political system, which has made it possible for the initiatives included in this network to achieve standards based on important democratic deliberations in the National Congress. Ultimately, these deliberations resulted in the obtaining of an equal commitment from both the opposition and the current governing forces, thus ensuring the institutionalization and continuity of the system even in the scenario of a change in power.

Yet one of the most interesting variations in the democratic process to achieve social reforms and their institu-

tionalization in the social protection system has been the participatory initiatives pushed by the last government of the Concertación, led by Michelle Bachelet. Although the initiatives were criticized at the time by the opposition, they are being replicated as a formula for the new government, which is composed of the same political forces that criticized them earlier. These participatory bodies, the so-called Presidential Advisory Committees,<sup>11</sup> created conditions for achieving greater transversal political agreements between the divergent political forces in the parliament. The Committees were convened to address reforms in issues pertaining to social protection, placing special emphasis on child-protection policies (which would lead to the legal establishment of Chile Crece Contigo) and on pension reform (the precursor to the current pension reform in force). The participatory processes discussed previously also resulted in the less effective Committees on Education and on Labour and Equity. These Committees culminated in major disagreements over the previous Committees but also led to some legislative initiatives. These initiatives included the creation of a set of institutions responsible for the quality of education in the case of the Committee on Education and the subsidy for the hiring of young

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<sup>10</sup>The Presidential Advisory Committees, which originated during the first several months of the mandate of President Bachelet, were created to address some of the issues of the presidential campaign that involved substantive reforms requiring extensive parliamentary agreements. To clear the way before the parliamentary debate and to reflect the initiatives' pluralistic views on the respective subjects, these Committees included multidisciplinary experts with different values and political views and social actors involved in possible reforms. In addition, almost all of these Committees organized regional consultations and hearings with civil society organizations, hence broadening participation in the formulation of proposals. In a maximum six-month time frame, the reports emanating from these Committees were taken by the Government as a guide for the drafting of bills, almost all of which were later submitted to parliament. Among the most emblematic Committees associated with social protection were those relating to child protection, pension reform, educational quality, and the quality of work and equity.

workers in the case of the Committee on Labour and Equity.

Thanks to this participatory mechanism, which enabled many agreements and disagreements between key actors to be processed prior to the release of the respective government bills to parliament, the length of time for congressional approval of laws has been considerably reduced. In fact, the deliberation of members of the Presidential Advisory Committees and public hearings led to reports containing agreed proposals and divergent positions (in lesser numbers). With these reports, which largely cleared the political-technical debate, the Government drafted the respective bills, which, once submitted to Congress, facilitated the discussion and agreement of parliamentarians.

In summary, thanks to this procedure, the Chile Crece Contigo Act on child protection and the Pension Reform each took only about a year to be approved and become effective in the same presidential term. This contrasts, for example, with health reform and the establishment of the AUGE Plan, which, managed by the previous administration and implemented through the traditional procedure, required more than three years of parliamentary debates.

### **FINANCIAL CONDITIONS: FINANCIAL AND MANAGEMENT SUSTAINABILITY**

In the Chilean presidential system, only the executive branch of the government

can take legal initiatives that require financing. Consequently, all initiatives and reforms proposed by the executive branch to the parliament have required the presentation of detailed information about the requisite financing and guarantees about what funding sources will permit these initiatives and reforms. In effect, this ensures their sustainability and therefore their continuity as State policies, eliminating the risk of having these initiatives and reforms left to the discretion of successive governments.

The legal framework that supports all the initiatives of the *Red Protege* establishes the financial commitment required for their implementation, from the initial deployment until the time that they come into full force.

The introduction of these legal changes, which led to the approval of initiatives based on guaranteed social rights, generated a new phenomenon. For the first time since the introduction of cash subsidies related to the *Red Protege* and since the regulation of coverage, the Treasury has been forced to provide resources for all citizens who request them (and qualify for benefits). In the past, there were waiting lists of people who qualified for benefits but could not obtain the subsidies since the provision of resources was set annually in the Budget Law at the discretion of economic authorities.

With the establishment of a protection system of rights guaranteed by law, obligations were increasingly imposed on

the public budget, whose expenditure on social spending cannot be reduced or redirected to alternative uses.

The structural-balance policy, a fiscal policy instrument consistent with this system, operates as a guarantee of the fulfilment of financial obligations in terms of social spending. As suggested earlier, it has also enabled the escalation of social spending over time regardless of adverse economic cycles. Although Chile is not among the countries with the highest social spending per capita in Latin America, its social spending has been growing steadily over time, maintaining a high proportion in relation to total public expenditure. Indeed, in 1990, social spending per capita amounted to US\$370 and social spending accounted for 61.2 per cent of total public expenditure, while by 2008, social spending per capita had increased to US\$830 and total social spending represented just over 68 per cent of total public expenditure.<sup>xv</sup> Therefore, the fiscal space is there to assure the required implementation of the social protection system.

It is important to note, however, that citizen demand for expanded rights and their extension to more sectors of society will impose increasing fiscal pressures. Beyond the efforts targeting the poor, there are growing pressures from the middle class, which finds itself unprotected and whose vulnerabilities were made even more visible by the February 2010 earthquake and tsunami than they had been during the economic crisis.

In this context, there is an evident

and unavoidable need for a debate on tax reform in order to review both the current weight of taxes – which is no higher than 18 per cent of the GDP (an average amount in South America, a continent that has significantly lower tax burdens than those in Europe) – and their present composition.<sup>xvi</sup>

It is important to note that the *Red Protege* previously allocated resources to central levels of the respective sector ministries (given that Chile is a unitary State). Recently, however, it has initiated a process of decentralized management, providing some of these resources to municipalities through a process that is progressing but still emerging.

In sum, the gradual nature of processes as well as the fiscal space and its progression and institutionalization ensures that social protection is not threatened by changes in government. This also ensures, from the standpoint of both programmatic as well as financial commitments, that social protection can be sustained over time, at least at the level of the rights and coverage achieved by March 2010.

## IN CONCLUSION

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Taking stock of the outcome of Chile's experience in establishing a social protection system is well worth doing at a time when the country is confronted with a change of government that effectively represents political change. This transformation took place in March 2010 when,

after two decades of centre-left coalition governments, the centre-right won the presidency.

Given this political shift in power, one wonders whether the existence of the *Red Protege* is at risk, especially in light of the previous Chilean historical evidence (1973-1990), which minimized the social role of the State, or the experiences in some other Latin American countries, where changes in government may have jeopardized the continuity of its policies.

In light of the background information provided in this case study report, it can be said that the current social protection system – which certainly can and should be expanded, deepened and refined – is not at risk of being reversed although there is the possibility that it could stagnate at the levels already achieved in line with the argument that management and outcomes need to be improved before the system can be further expanded. Still, this outcome seems unlikely given that social protection has been strengthened by its positive public evaluation and that it has been part of the campaign proposals of all presidential candidates in the last election.

It is important to note, then, that there is a consensus, at both the civil society and political actor's levels, on the benefits of social protection not as emergency and transitory policies but as permanent policies, enshrining hard-won social rights. This is a great strength that sustains social protection as a democratic achievement. To date, this reality is expressed by the annual approval of the

Budget Law, which increasingly allocates resources to social protection programmes based on norms that institutionalize the social protection system currently in force. This legal framework and the fiscal space guarantee the operation of the system and its gradual development at least at the levels already ensured by present laws. (As noted earlier, the health rights guaranteed under the AUGE Plan, the child protection in Chile *Crece Contigo*, the Basic Solidarity Pension guaranteed and the pension reform – to name important components of the *Red Protege* – have secured, through law, gradual increases in coverage.)

Another significant strength is the management experience accumulated, which ensures the performance of social programmes and actions. Although it is possible to demand even greater efficiency and effectiveness from social policies, they already have a strong foundation built on excellence and professionalism, which ensures their good performance, especially because they have already begun to internalize a culture of more comprehensive and intersectoral public management, breaking with the excessive sectoralism of traditional social policies.

At the time that this case study was written, the Government of Chile released the results of the 2009 Survey of Socio-Economic Characteristics (CASEN), whose field study of a sample of 73,000 families was conducted in the midst of the economic crisis (for the first time since 1990, the CASEN was carried out during a recession). Results of the survey showed a slight increase in poverty

(around 1.1 percentage points) compared to the figure from the 2006 survey, which was conducted at a time when the economy was booming. According to the country's most prestigious analysts, this rise is directly attributable to the global phenomenon of the disproportionate increase in food prices – specifically those food items that are part of the basic food basket used to establish the poverty line. These prices have declined from the time that the study was conducted and thus translate, only months after the measurement, into an automatic drop of the poverty line. Paradoxically, the same 2009 survey found that, despite the increase in the poverty rate, educational coverage grew – at all levels of education, from pre-school and early education to higher education – while membership in health systems was universalized and basic services were expanded. More remarkable, cash transfers easily offset the reduction in incomes suffered by poor households due to job loss caused by the crisis. In fact, the total income of these poor households – adding the cash transfers to their own incomes – was higher than that recorded in the previous survey, in 2006, when the country was growing economically.

These recent results demonstrate the positive impacts of the *Red Protege* precisely during the economic crisis and confirm the need to implement guaranteed social protection floors. Thus, the results of the 2009 CASEN reveal that there are objective grounds for the high value that citizens ascribe to social protection policies.

However, the same CASEN results show that it is the poor who are hit hardest by the effects of the crisis since they are the first to lose their jobs and since, even if they manage to keep their jobs, they are faced with very low incomes because of the increase in precarious employment. The results also demonstrate that the *Red Protege*, simultaneously being a mitigation policy (through cash transfers) and a policy on providing opportunities for capacity-building (especially through education and health), has not successfully coordinated with labour policies and quality jobs. This question appears to be one of the pending issues to resolve not only in Chile but also in existing social protection systems and one that certainly merits more substantive reflection on the redesign of social protection floors.

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