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Merike Blofield, Jennifer Pribble, Cecilia Giambruno
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1 Explaining Social Protection Responses during Times of Crisis

The COVID-19 pandemic upended economic, social, and political life. From one day to the next, states closed borders, shut down businesses, set up emergency hospitals, implemented social distancing, and in many cases, issued cash assistance to struggling families. These policy decisions unfolded in a setting of unprecedented crisis, with governments facing intense pressure to act quickly. The pandemic experience, therefore, created a unique opportunity to explore whether existing theories of social policy formation and change have explanatory capacity in settings of crisis. In this Element, we investigate the cash transfer policy response of ten Latin American states, during the first year of the COVID-19 pandemic.

All of our cases are presidential democracies with high, though varying, levels of labor informality. In this context, as governments implemented lockdowns in March and April of 2020, it quickly became clear that additional social assistance was urgently needed to help families cope with the costs of sheltering at home. For the most vulnerable households, lack of access to basic necessities loomed large, posing a threat that equaled and, in some cases, dwarfed the threat from the virus. It is likely that this humanitarian challenge and an intrinsic concern about the well-being of fellow citizens would motivate any leader to act, but in a democratic setting, leaders face additional incentives for action so as to avoid the appearance of indifference. Yet in the democracies we examine in this Element, governments responded to this challenge in surprisingly different ways, with states like Brazil and Chile pursuing a broad and generous cash transfer response, and Mexico at the other extreme, doing nothing. The ten countries analyzed in this Element also exhibited cross-temporal variation, with some states maintaining benefits throughout the first year of the crisis, while others provided only a limited number of payments.

What explains this cross-national and cross-temporal variation in pandemic cash transfer responses, and to what extent do existing theories of social policy transformation shed light on the variation? We argue that, in this context of crisis, three factors explain the scope of each government's cash transfer policy response: policy legacies, whether the president's party or coalition controlled a majority of seats in the congress, and fiscal space. Where legacies were broad or moderate – that is, where the existing cash transfer system provided decent coverage – norms of state-provided social protection had been established. This encouraged presidents to use public resources to pursue a bold cash transfer policy response. By contrast, where policy legacies were weak, with a restricted scope of cash support to low-income families, presidents were inclined to

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continue along the path of residual benefits, despite the pending crisis. These general tendencies were intensified or weakened by the interaction of two additional factors: the presence of unified/divided government and fiscal space. Specifically, when confronted with this unprecedented crisis, we find that in settings of fiscal space, divided government produced competition between the executive and legislative branches, with each side seeking to outperform the other in a game of credit-claiming. As a result, divided government, in combination with relatively easy access to resources, produced a stronger cash transfer policy response to the COVID-19 crisis.

The same did not hold true for countries facing severe fiscal constraints. In those settings, divided government limited cash transfer expansion because it required the approval of new taxes or the elimination of existing spending to fund benefits. This altered the dynamic of interbranch competition, creating competition to avoid blame for introducing taxes and/or cutting spending, rather than simply competition to claim credit for a new benefit. Over time, fiscal constraints also limited the ability of countries to maintain benefits throughout the first year of the pandemic.

Our study shows that other existing arguments, such as party ideology, electoral competition, social movement strength, levels of development, and state capacity, do not directly explain this variation. This does not mean that these variables have played no role in Latin American social policy development. Indeed, they influenced the region's incremental social policy expansion of the early twenty-first century (Arza et al., 2022). Historically, Latin America has been characterized by dualistic welfare states that offer little protection to individuals who are employed in the informal sector or who do not work, a group often referred to as "outsiders" in the social policy literature (Filgueira, 1998; Carnes and Mares, 2016). By the turn of the millennium, a propitious combination of democratic politics (De La O, 2015; Diaz-Cayeros, Estévez, and Magaloni, 2016; Garay, 2016; Holland, 2017) and the rise of left parties (Huber and Stephens, 2012; Pribble, 2013; Martínez-Franzoni and Sanchez-Ancochea, 2016) incentivized the creation of new social programs aimed at reaching those outsiders. Steady economic growth between 2002 and 2013 in most countries provided a supportive context (López-Calva and Lustig, 2010). This expansionary wave resulted in advances in the inclusion of outsiders, and by 2017, noncontributory cash transfer programs reached about one-fifth of the region's population (Cecchini and Atuesta, 2017). All of this proved immensely important as the COVID-19 crisis took hold. Had the pandemic taken place two decades earlier, the region's governments would have been woefully unequipped to provide broad social assistance.

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These advances notwithstanding, on the eve of the pandemic, the segmented character of labor markets and the unevenness of noncontributory social protection systems left a large share of the region's population extremely vulnerable to the economic fallout from global and national COVID-19 containment measures. Governments, therefore, needed to take quick action to help workers and families to shelter at home if they were to stave off a humanitarian crisis. They faced the challenge of reaching three distinct groups: (1) those included in existing social security schemes, (2) those included in noncontributory schemes/government assistance programs, and (3) those in-between, who did not have access to existing programs, including the self-employed and informal sector workers, as well as their dependents. We refer to this third group as "other informal households." To respond to this three-fold challenge, countries throughout Latin America increased the value of or eased eligibility requirements for existing cash transfer programs, and created new programs. Countries like Uruguay – with just 30 percent of the labor force informal and broader social protections for children – were much better prepared because the existing network of benefits already provided ample coverage.[1] Other countries, like Peru, faced the daunting task of reaching a population with 80 percent labor informality and a woefully inadequate noncontributory social protection infrastructure.

Our study focuses on the question of how Latin American democracies responded to the social crisis that accompanied the COVID-19 pandemic. In adopting this research design, we make an implicit assumption: that democracy facilitates emergency cash transfer expansion. This is because in democratic systems, where politicians must compete for votes and where citizens enjoy civil liberties that facilitate mobilization, political elites faced strong incentives to provide some kind of response to the pandemic. For this reason, we exclude the region's nondemocracies, Cuba, Nicaragua, and Venezuela, from our study.[2] While the exclusive focus on democratic cases does not allow us to test whether regime type is a necessary condition for cash transfer expansion, the variation in policy design across our set of cases suggests that, on its own, democracy is not a *sufficient* cause.

[1] Cash transfers are just one policy tool. For an overview of the broader package of public spending to address COVID-19, see International Monetary Fund (2021). Interestingly, there appears to be overlap between bold action on cash transfers and state intervention in other areas (IMF Fiscal Affairs Department, 2021).

[2] Indeed, none of these countries appears to have initiated economic assistance to households during the pandemic (see footnote 19).

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Because this project was carried out during the pandemic, when borders were closed and access to archives impossible, we restricted our analysis to cases with readily available data and information, accessible through government web pages and online newspaper articles. This led us to exclude El Salvador, Guatemala, and Honduras. From the remaining Latin American countries – those that are democratic and have a minimal level of reported data – we selected a sample of ten countries that exhibit variation on our key independent variables of interest. As we chose these cases in March 2020, at the beginning of the pandemic, there was no selection based on the dependent variable. On this basis, the countries we include are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, and Uruguay.

Our method is qualitative and comparative. Our analysis focuses specifically on cash transfers, and on transfers to two groups that were *socially most vulnerable* to the economic effects of the pandemic: households with children in existing noncontributory cash transfer programs, often referred to as conditional cash transfer (CCT) programs, and other informal workers and their households. We focus on households with children because prior to the pandemic, 46 percent of children in the region lived in poverty, while the corresponding figure for those over sixty-five years was 15 percent (ECLAC, 2019a). Thus, while the elderly were vulnerable in epidemiological terms, children were the most socially vulnerable during the pandemic. While a significant share of poor households with children were covered by existing cash transfers, others were excluded, due to targeting rules and other eligibility requirements. Most of the households not covered in existing contributory or noncontributory programs, even if not extremely poor, were low-income, and this uncovered group, which we refer to as "other informal households," comprises the second group we examine. To assess governments' cash transfer response, we measure the breadth and adequacy of cash transfers toward households with children and other informal households, for the duration of the first full year following pandemic onset: April 2020 to March 2021. We measure breadth as coverage of transfers among (1) the population under eighteen years old; and (2) informal workers. We measure adequacy as the value of the per capita transfer as a share of each country's urban national extreme poverty line, in a typical family/household of four (two adults, two children).[3] In this way, we expect that "adequate" benefits provide at least enough for a family to avoid falling

[3] Blofield, Giambruno, and Filgueira (2020) also estimate transfers for a family of one adult and three children.

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into extreme poverty. We calculate adequacy over time, through the first twelve months of the pandemic.

When the pandemic hit in mid-March of 2020, the first wave of social protection responses was relatively rapid. None of the countries in our study canceled existing noncontributory programs and by the end of March, seven out of ten governments had pledged additional cash assistance to recipients of these programs, including CCTs. By the end of April, as it became clear that the crisis would not abate quickly, nine out of ten of the countries in our analysis had pledged some form of emergency income assistance to informal households that did not enjoy access to an existing system in the form of new emergency programs. Of these nine, seven established more inclusive, "demand-driven" mechanisms where individuals who had lost their income could self-identify and apply for benefits (although they would still be evaluated by a government agency). With this mechanism, these seven countries achieved relatively high coverage. By contrast, two of the countries in our analysis – Ecuador and Colombia – maintained restrictive eligibility criteria that did not allow individuals to apply for benefits. Finally, one country – Mexico – did not institute a national-level income assistance program in response to the pandemic at all.[4]

We discuss our data and measures of cash transfer breadth and adequacy in Section 2, but Table 1 presents a summary classification of the findings. We identify four types of cash transfer policy responses during the first year of the pandemic. The first group of countries, Brazil and Chile, provided broad and adequate benefits, which we classify as strong. A more moderate response was provided by Argentina, Bolivia, Costa Rica, Peru, and Uruguay. A third group, Colombia and Ecuador, pursued a restricted response and only one country,

Table 1 Classification of the breadth and adequacy of cash transfer policies, T1 (first six months) and T2 (second six months)

	Strong	**Moderate**	**Restricted**	**None**
Countries	Brazil Chile	Argentina T1 Bolivia Costa Rica T1 Peru Uruguay	Colombia Ecuador Argentina T 2 Costa Rica T2	Mexico

[4] With the exception of a program for 190,000 fishermen, comprising less than 1 percent of the informal workers in Mexico.

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Mexico, did not provide a national-level pandemic cash transfer response. Two of the countries in our analysis, Argentina and Costa Rica, started off with moderate policy responses, but did not issue further transfers due to fiscal constraints. This led to a decline in the breadth of coverage, producing a "restricted" response for the second six months of the first year of the pandemic.

In the sections that follow, we explain the cross-national and cross-temporal variation presented in Table 1. Section 2 provides a discussion of our dependent variable – the breadth and adequacy of the cash transfer policy response, presenting original data. These are based on government data and reports, from which we created a dataset of standardized and comparable indicators of breadth and adequacy across the ten countries during the first year of the pandemic. In Section 3, we provide an overview of the existing literature on social policy expansion in Latin America and test hypotheses that emerge from this literature. We then present our own theory and hypotheses. Finally, we turn to comparative case studies of a selection of countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, and Uruguay. The case studies probe our hypotheses as well as alternative explanations, providing evidence that policy legacies, divided government, and fiscal constraints are crucial for understanding Latin American states' cash transfer policy response to the COVID-19 crisis, as well as the evolution of those programs during the first year of the pandemic.

Our analysis makes important contributions to the study of social policy expansion and change in Latin America. First, we make a conceptual and empirical contribution by presenting new standardized measures of cash transfer coverage and benefit adequacy. We measure these variables for the first year of the pandemic, providing novel insight into how Latin American countries addressed social dimensions of the COVID-19 crisis and how cash support for low-income families changed in the wake of the pandemic. Second, we make a theoretical contribution, providing insight into the ways that social policy-making in settings of crisis differs from that of "normal times." Specifically, we find that several existing arguments, namely the role of electoral competition, government ideology, and state capacity, did not directly influence the strength of countries' cash transfer response to the COVID-19 pandemic. Instead, policy legacies, divided/unified government, and fiscal space combined to determine cross-national and cross-temporal variation. Interestingly, our finding about the effect of divided government breaks with conventional wisdom about the impact of the variable. Rather than generating gridlock and inhibiting social policy expansion, we find that, in crisis settings, divided government, when combined with fiscal space, generates interbranch competition that *facilitates* cash transfer expansion.

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2 How Did Latin American States Respond to the Crisis?

Our study seeks to assess government cash transfer policy efforts toward the most socially vulnerable households. One key determinant of social vulnerability is reliance on the informal labor market. Following the Inter-American Development Bank (IADB), we measure informality by whether workers contribute to social security. Specifically, we classify employed workers who are not contributing to social security as informal (IADB Labor Markets and Social Security Information System).[5] Working informally – aside from, by definition, lacking labor protections – also correlates with lower income. Across our ten countries, 70 percent of workers in the highest-income quintile were working in the formal sector, while just under one-quarter (24 percent) of those in the lowest-income quintile worked formally. Pandemic containment measures disproportionately affected sectors with high levels of informal employment. Furthermore, age is a key predictor of social vulnerability: Poverty among children in 2019 in Latin America was 46 percent, whereas poverty among the elderly was just 15 percent. Families with children, then, are especially vulnerable to social risk. Luxembourg Income data shows that three-quarters of households in the lowest-income quintile have children under eighteen years of age (and more than half in the next two quintiles). This proportion is strikingly different in the highest quintile, where 68 percent of households have no children. In sum, most low-income households have children and are, therefore, especially vulnerable to income shocks (Filgueira and Blofield, 2020).

On this basis, we focus our analysis of government social protection responses on noncontributory cash transfer programs toward households with children and toward working-age adults (eighteen to sixty-five years of age).[6] This includes families with children who are covered by existing noncontributory cash transfer programs, commonly known as CCTs as well as what we classify as "other informal households." Conditional cash transfers were introduced in many Latin American countries during the early 2000s. The programs provide a small cash transfer to families with children, in exchange for fulfillment of a set of conditions. These conditions generally include regular school attendance and health checkups. Brazil's *Bolsa Familia* is one example of a CCT. The program served as a model in countries throughout the region. In addition to families covered by CCTs, we also analyze access to benefits among "other informal households." These households include those who work in the

[5] https://socialprotection.org/discover/databases/information-system-labor-markets-and-social-security-sims

[6] Given our focus on social vulnerability, we do not include cash transfers toward the elderly, worthy of its own research project.

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informal sector, but who were not covered by existing programs, and their uncovered dependents.[7] Many of them were not poor enough to qualify for the CCTs pre-pandemic, but were not far from the poverty line and had few assets or savings to carry them through (ECLAC, 2019a).[8] We, therefore, focus on two sets of cash transfers: benefits for recipients of existing noncontributory programs and new emergency cash transfer programs toward informal workers and households.[9]

We measure two dimensions of governments' cash transfer responses: breadth and adequacy. In this Element, we outline how we operationalize and measure the dimensions in both types of cash transfers (toward households with children and other informal households) across our ten countries, using the calculations of Blofield, Giambruno, and Filgueira (2020) as our basis. For breadth, we measure direct recipients as a share of the relevant population as a whole. For noncontributory cash transfers targeted at children, we measure breadth as the share of the under-eighteen-year-old population that is covered in noncontributory cash transfers in each country, using the latest available population data, right before (end of 2019) and during the pandemic (2020 and 2021). In the case of new emergency transfers, there is no pre-pandemic coverage since the programs did not exist. To gauge the breadth of these new cash transfers, we assess coverage in relation to the size of the total employed and the informally employed population, drawing on IADB data, and we measure peak coverage during the first year of the pandemic. These measures allow us to standardize and systematically compare policy breadth across our countries. For adequacy, we calculate both transfer amounts in the same way, as a per capita transfer for a recipient household. We assume a prototypical household size in the lower-income quintiles of two adults and two children. In order to calculate the proportion of the per capita extreme poverty line, we divide the total amount of the monthly cash transfer by four (the number of people living in the household). We then calculate the share of the national urban extreme poverty line that is covered by the transfer for each

[7] These *other informal households* are, by definition, the hardest to reach; indeed, we do not have readily available, regional data on the share of households (rather than workers) that are completely informal (i.e., with no members part of any social protection system). This absence of data is reflective of the problem and of the invisible status of this group.

[8] We do not include policies toward formal sector workers or cash and credit assistance to enterprises. Aside from different welfare implications, policies toward the formal sector and companies are very heterogeneous, also reflecting the complexity of each country's existing labor laws and social security systems. A systematic analysis of these polices deserves to be its own research project, but is beyond the scope of this Element. See Blofield, Giambruno, and Filgueira (2020); Blofield, Lustig, and Trasberg (2021), and Etchemendy, Espinosa, and Pastrana (2022) for an overview of these policies in Latin America.

[9] We would welcome efforts to measure transfers to the elderly and to the disabled using our measures and calculations.

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country, drawing on Economic Commission for Latin America and the Caribbean (ECLAC) data. This allows us to measure adequacy of transfers across programs, across countries, and across time.

Figures 1–4 summarize breadth and adequacy across these two groups across our ten countries. Figure 1 presents the evolution of existing cash transfer breadth in each of our ten countries, with the leftmost bar showing coverage in 2019, the middle bar capturing coverage in 2020, and the rightmost bar showing coverage in 2021 as a share of all under-eighteen-year-olds per country.

Figure 1 shows that non-contributory CCT coverage during this time period remained quite stable, with countries in general continuing at the coverage level that they had when the pandemic hit. Two countries did expand coverage, with the most dramatic growth in Ecuador, where it almost doubled to 31.5 percent between 2019 and 2021 from a low starting point of seventeen percent. In Brazil, coverage increased by 6.5 percentage points, to reach the highest level among our ten countries, with 54.4 percent of under-eighteen-year-olds covered

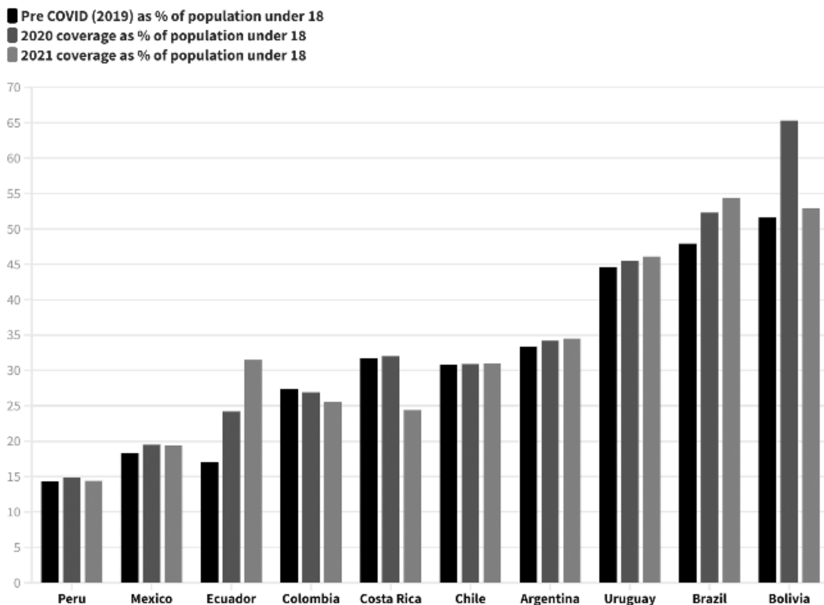

Figure 1 Evolution of coverage of existing cash transfer programs to children before and during COVID-19

Source: See online Appendix for sources and calculations. We use ECLAC figures for all countries except for Mexico and for Uruguay and Peru in 2021, for which we use government figures. For Uruguay and Peru, ECLAC data for 2021 is unavailable. For Mexico, coverage figures vary by source, and after consultation with country experts, we decided to rely on the official records reported.

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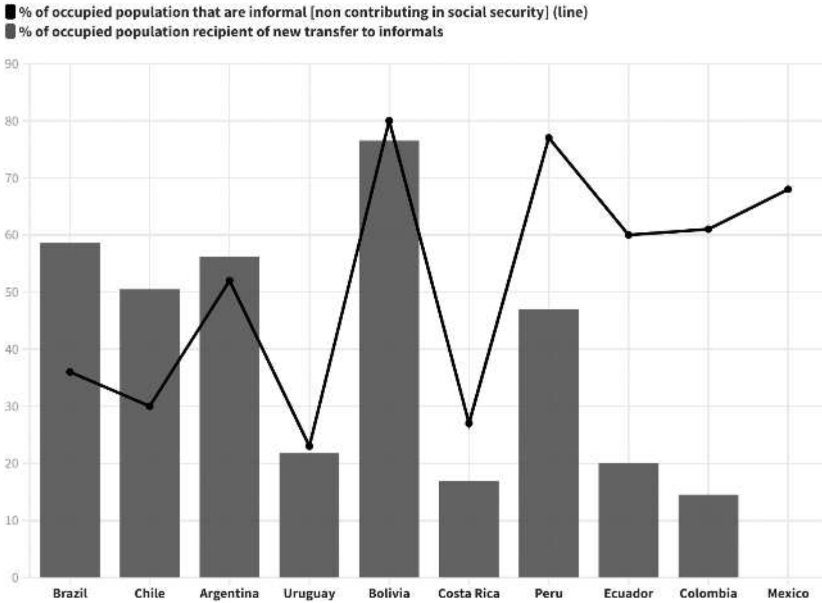

Figure 2 Peak coverage in new emergency cash transfer programs in relation to total and informal employed population during April 2020–March 2021

Source: See online Appendix for sources and calculations.

by 2021. In Costa Rica, by contrast, existing coverage declined by seven percent points between 2020 and 2021, from 32 percent to less than a quarter of children. In Peru, Chile, and Uruguay, coverage between 2019 and 2021 changed by less than one percentage point, while in Argentina, coverage increased by 1.1 points, and in Bolivia, by 1.3 points, following a one-time expansion in 2020. In Colombia, coverage declined by 1.8 percentage points, down to just over one-quarter of children. We address these changes further in the case studies.

Figure 2 outlines the breadth of the new emergency cash transfer programs. Drawing on IADB (2019)[10] data on the size of the total employed population and the informally employed population, we tally the number of cash transfer recipients in the new programs, as compared to the total number of employed people in each country. In Figure 2, the bars represent recipients as a share of the total employed population for each country. The line represents the share of the informally employed population in each country, serving as a rough proxy for need and therefore for the policy effort required to reach the uncovered population.[11] The closer the bar is to the line, the closer the number of new

[10] Given the adverse effects of the pandemic on employment, 2020 numbers would likely be lower.
[11] Workers above the line should be covered in other social security programs.

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