

Success and Failure of a Hybrid Reform Path:

Risk Structure and Social Protection in Uruguay

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Since the return of democracy in 1985, there have been a number of changes in the economic, social, and public policy spheres that have radically transformed the country. These changes are not driven, however, by a political agent that guides the transformation in the social and economic model in a consistent way in and across time, but are instead the result of a process that combines default adaptations to the new international context, moves and countermoves regarding market-oriented reforms, and a high heterogeneity in the pace, consistency and content of social and economic reforms in different areas and sectors. The final balance of this process shows less success than failure. The most important changes concern the transformation of labor relations, with a marked reduction in state involvement and more decentralized and less solid forms of bargaining, and the emergence of a three-tier social protection system in which the market, the old corporatist welfare state and the new targeted social policy coexist without adequate articulation.

Both transformations, i.e. that of the welfare state and of labor relations, interact with labor market and family structure changes, leading to a mismatch between the structure of the production of social risk and the architecture of social protection. The persistence of a robust but increasingly less inclusive welfare state, which requires higher spending levels, and a deteriorated labor market, together with decentralized and increasingly asymmetric relations between labor and capital, foreshadows a future of social fragmentation in which a small remaining group linked to the old welfare state maintains benefits and privileges at the expense of a growing population excluded from participation in formal labor markets and social protection systems.

Following the electoral victory of the left in 2004, there is a shift in the role of the state in labor relations, returning to a leading role as a central player in labor relations. But there is only partial modification of social policy trends, which has slowed down and partially reverted the hollowing out of the Uruguayan welfare state while hardening the divide between those who fall inside and outside social protection systems. The creation of the Ministry of Social Development and its conditional income-maintenance program constitutes a timid but significant effort to deal with this growing divorce between risk structure and social protection system. However, this initiative tends to consolidate the three-tier welfare state while improving the tier of targeted social policy.