



**WESTERN
MICHIGAN**
UNIVERSITY

The Journal of Sociology & Social Welfare

Volume 38
Issue 3 September

Article 18

2011

**Review of *World Crisis Effects on Social Security in Latin America and the Caribbean: Lessons and Policies*. Carmelo Mesa-Lago.
Reviewed by Vladimir Rys.**

Vladimir Rys
University of Geneva

Follow this and additional works at: <https://scholarworks.wmich.edu/jssw>



Part of the Social Work Commons

Recommended Citation

Rys, Vladimir (2011) "Review of *World Crisis Effects on Social Security in Latin America and the Caribbean: Lessons and Policies*. Carmelo Mesa-Lago. Reviewed by Vladimir Rys.," *The Journal of Sociology & Social Welfare*: Vol. 38: Iss. 3, Article 18.

DOI: <https://doi.org/10.15453/0191-5096.3625>

Available at: <https://scholarworks.wmich.edu/jssw/vol38/iss3/18>

This Book Review is brought to you by the Western Michigan University School of Social Work. For more information, please contact wmu-scholarworks@wmich.edu.



**WESTERN
MICHIGAN**
UNIVERSITY

are not the most valuable aspect of this very valuable book.

Aside from how much it shows us about the way Haiti works, what *Democratic Insecurities* most accurately demonstrates is how we work in Haiti, with our outsider role as "mobile sovereigns," James' stinging appellation for various kinds of tiny foreign dictators working on the ground, especially field anthropologists, like James herself. Her observations are not only from the field but are also based on solid, painstaking research in the literature of Haitian development, ethnography, and anthropology. The book's detailed index itself is a work of some importance.

Democratic Insecurities has one other central virtue: it is unflinchingly self-aware. James is no cowboy anthropologist blithely critiquing the methods of other cowboy anthropologists. "A crucial dilemma emerged during the course of this work," James writes in her introduction. "How do individual and institutional humanitarian actors grapple successfully with conditions of ongoing insecurity without resorting to the very predatory practices that create such conditions?" How do we correct the system without becoming part of it, becoming tainted by it? After long experience in Haiti, one comes up with a sad and disconcerting answer to this question: No matter how much we grapple with this, we don't grapple with it *successfully*. No one can remain utterly uncorrupted by the predatory political situation. In fact, as James shows us, in places like Haiti, we the outsiders are helping to brew and ladle out portions of the very corruption we seek to remedy. It is to James' great credit that she illustrates this in detail from within the humanitarian edifice.

Amy Wilentz, author of The Rainy Season: Haiti since Duvalier and other works on Haiti

Carmelo Mesa-Lago, *World Crisis Effects on Social Security in Latin America and the Caribbean: Lessons and Policies*. Institute for the Study of the Americas, 2010. \$28.95, paperback.

This book has been written by a leading social security expert and social policy analyst of Latin America. Distinguished Service Professor Emeritus of Economics and Latin American Studies at the University of Pittsburgh, Carmelo Mesa-Lago

has been a visiting professor, researcher or lecturer in 39 countries. In recent years he played an eminent role in the activities of the International Labor Office and was Chairman of the ISSA task force on the extension of social security. His study evaluates the effects of the global financial and economic crisis on social security, analysing on a comparative basis the situation in the field of pensions, health care and social assistance in 25 Latin American and Caribbean countries.

This text is no doubt one of the earliest reactions of the expert academic world to the financial and economic crises of recent years. This in itself constitutes a disadvantage, because, as the author indicates, the book was completed at the end of October 2009, and hence the data analyzed concern essentially the first onslaught of the crisis. However, the author has turned this situation to his advantage by passing the available information through the grid of his regular analytical framework for the evaluation of social security schemes. In order to understand how Latin America's social security systems are affected by the global crisis, he invites the reader to examine in turn the impact of previous crises: the strengths and weaknesses of social security prior to the current crisis and the actual and potential effects of the crisis on social security. Within each of these chapters, as well as in the conclusions, the situation is examined from the point of view of coverage, sufficiency and quality of benefits, equal treatment and social solidarity, gender equality, efficiency, administrative costs and financial sustainability. On the basis of his conclusions, Meso-Lago then formulates recommendations as to appropriate policies to cope with the negative effects of the crisis.

The wealth of data supporting this analysis permits the reader to draw his or her own conclusions in addition to those formulated by the author. Mesa-Lago points out that while the causes of the previous recessions and of the current economic crisis are substantially different, their repercussions on social security have been similar. The sectors most affected were pension coverage of the population and public access to health care. Both have declined or stagnated in most countries, especially in those with less developed social security systems. He notes, however, that Latin America and the Caribbean were better prepared than before to confront the present crisis because they could count on greater fiscal discipline, lower

public external debt, and higher international reserves along with current account surpluses. The region's main problems have been generated by shocks resulting from its greater openness to the rest of the world plagued with a series of economic dysfunctions.

In dealing with potential effects of the crisis on social security in more detail, the author points to a number of problems which are common to all parts the world. Thus with regard to coverage, we note the presence of increasing unemployment, increase in the volume of informal employment or employer's evasion of payment of contributions. With regard to pensions, the crisis is likely to reduce the benefit levels of those retiring in capitalization systems because of the fall in the value of certain financial instruments and their capital returns. Where the insured is obliged to take an annuity, it will be lower due to the decrease in the value of the accumulated amount in the individual account. From the point of view of pension administration, the crisis could cause a reduction in the number of private pension administrators through bankruptcies and mergers, resulting in less competition, increasing concentration and a rise in commissions and premiums.

The pension system model will play a key role in the impact of the crisis on financial sustainability. Pure individual capitalization schemes are likely to be more affected in the short run because their beneficiaries are exposed to the financial risk of volatile stock markets that influences both the accumulated value in the individual account and the pension amount, particularly for those close to retirement. Nevertheless, solidarity mechanisms, such as the minimum universal pension in several countries and the state solidarity contribution in Chile, should mitigate such adverse outcomes.

The actual impact of the crisis has differed significantly between countries. Social security expenditure has declined as a percentage of GDP in 15 countries and stagnated in nine, while the real value of pensions has fallen drastically. As could be expected, social security deficits have increased, or surpluses shrunk, in 17 countries, the worst affected being those with the oldest pension schemes and a higher proportion of aging population. Pension coverage has decreased in 11 Latin American countries, stagnated in two and increased in four. Among the non-Latin Caribbean countries, it has increased in

Barbados and Jamaica and stagnated in the Bahamas. These results indicate that a number of other factors unrelated to the crisis may substantially modify the final outcome.

The policy recommendations for coping with the consequences of the crisis for social security (health care, pensions and social assistance) are based on successful policies applied during previous economic declines and on the critical examination of the present situation. Some recommended measures come from international and regional organizations. They are modulated following Mesa-Lago's taxonomy developed in earlier work, which recognizes three groups of countries according to the level of development of their social protection systems. In Group 1 we find nearly universal health care and pension coverage, social assistance pensions, the lowest labor informality and poverty incidence and relatively abundant resources. In view of that, policy emphasis is placed on maintaining contributory coverage and expanding protection for the elderly through social assistance pensions, as well as increasing access of the poor and low income population to public health care services. On the other hand, Group 3 countries have the lowest pension and health care protection, the highest labor informality and poverty incidence, no social assistance pensions and fewer resources. Consequently, social insurance systems have a much smaller role to play in attenuating crisis outcomes than in Group 1; policies are hence focused on social assistance programmes targeted at the newly poor and the most vulnerable portions of the population. Countries in Group 2 demand a combination of both types of measures.

This volume constitutes an interesting attempt at presenting policy recommendations based on a careful and systematic analysis of facts pertaining to different aspects of social security schemes perceived within their total societal environment. The chief message the reader is likely to note is Mesa-Lago's criticism of policies implemented in the region in previous decades, promoting deregulation and severe cutbacks in the role of the State, while increasing the role of the market and of the private sector. In his view, the State has a crucial role to play, both in dealing with the consequences of the present crisis and in reinforcing the stabilizing role of social security.

*Vladimir Rys, Social Security Study Centre
University of Geneva*