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# RESEARCH REPORTS AND NOTES

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## SOCIAL SECURITY POLICYMAKING IN COSTA RICA: A RESEARCH REPORT\*

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Both developed and developing countries have experienced increasing state intervention in the social welfare arena. In most countries of the world, the state has sponsored some social welfare programs, especially programs of social security.\*\* Despite their prevalence, little is known about their political nature, especially in the developing countries. Yet, the study of the political aspects of social security, especially the who, the what, and the how, would at once reveal important patterns of state-society relations.

This paper is a preliminary summary of an examination of the politics of social security policymaking conducted in Costa Rica during 1974 and 1975. The Costa Rican case study was part of a larger comparative study on social security in Latin America initiated by Carmelo Mesa Lago (forthcoming). The larger investigation is important for a number of reasons. First, it is a thorough analysis of the relationship between social security programs and income inequality in five Latin American countries.<sup>1</sup> From the quantitatively supported findings, Mesa Lago suggests that publicly enforced programs of social security have had

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\*\*Social security includes a variety of programs: social insurance providing sickness, maternity, old age, and invalidity benefits; workmen's compensation; and in some cases family assistance.

a regressive impact on income distribution and function to reinforce income inequality. Second, Mesa Lago suggests that this pattern may be politically explained by the power of pressure groups to extract welfare benefits from the state. Indeed, he provides data illustrating that benefits are differentially distributed to particular groups according to the relative power of the group determined by its sectoral location in the economy and social status. Finally, Mesa Lago's analysis is an exhaustive history of labor and group dynamics in Latin America, especially in their efforts to find a secure and advantageous relationship with the state in publicly mandated social welfare matters.

The primary purpose of the Costa Rican case study was to investigate directly the political aspects of social security policymaking, especially, but not exclusively, the role of pressure groups. To do this, an analysis had to be made of the decision-making process involved in the making of social security policy, especially that concerned with the distribution of social insurance benefits. This strategy seemed useful on three levels. First, as a case study, it would provide evidence to either support or challenge Mesa Lago's findings with respect to the important relationship between pressure groups and social security policymaking. Second, the case study would complement the growing literature on the role of the state in Latin America (Malloy 1977, Stepan), most of which examines state activity in its authoritarian context. Fewer studies examine the role of the state in the few existing democracies in Latin America.<sup>2</sup> Do decision-making patterns vary according to regime and/or issue area? This and other comparative questions remain to be answered concerning the role of the state.

Finally, little has been written about Costa Rican political economy. There have been a number of attempts to explain the roots of Costa Rica's civil war of 1948 (Aguilar Bulgarelli, Bell), and there have been a number of studies analyzing the various dimensions of participation in Costa Rica (e.g., Booth and Selgison). And, notably, two Costa Rican scholars have made important studies of the genealogical nature of Costa Rica's power structure (Stone 1975, Arias Sanchez). But while they suggest who rules Costa Rica, they do not suggest how they rule. Thus, this case study intends to provide information on an important political process in Costa Rica and the roles of political actors in it.

The following section will discuss briefly the context of social welfare reform in Costa Rica. Then, the data concerning social security decision-making will be examined. The presentation of this data is divided into four sections, each describing important cases of social welfare/social security policymaking in Costa Rica. Finally, the conclusion will present the findings within the broader framework initially suggested.

#### COSTA RICA: THE CONTEXT

Costa Rica now has one of the most comprehensive and progressive social welfare systems in Latin America. The leading social welfare programs are in the area of social security, which provides medical care and pension benefits to about 65 percent of Costa Rica's population. Modern social security policy dates from 1924 with the introduction of a limited program of state-sponsored work-

men's compensation. A much more comprehensive social security program was established in 1941, introducing a broader package of social reform. In 1961, an important law was passed constitutionally mandating the universalization of social security. Ten years later this policy was effectively implemented with a new state-sponsored law to finance social security. Each of these laws is significant because each provides for increased state intervention in social welfare matters. However, to understand more fully the decision-making processes relevant to these policies, a description of the historical context of social security reform in Costa Rica is necessary.

Prior to the late 1960s there had been no coherent state approach to social welfare matters in Costa Rica. This was especially the case early in the twentieth century when the state took a "hands-off," noninterventionist approach to the social question. There are at least four useful explanatory factors for this. First, until the late 1940s, Costa Rica had been dominated by the descendants of three or four families of the colonial elite (Stone 1974, pp. 21–22; 1975). While never ideologically unified, these same families used the state to enshrine the principles of *laissez-faire* political economy, which meant minimum state intervention in social welfare matters.

Second, this family dominance was reinforced by the emergence of a generation of conservative political leaders, "the Generation of 1889," which ruled Costa Rica from 1889 to 1936. Two lawyers, Cleto González Víquez and Ricardo Jiménez, actually held the executive office for a combined total of twenty years between 1906 and 1936. Their leadership was instrumental in cementing the bases of Costa Rica's liberal democracy. Conversely, as social problems mounted in the 1920s and 1930s, their nineteenth-century ideological frame of reference largely inhibited them from considering innovative state-sponsored social policy.

Conservative political leadership was reinforced by conservative Church leadership. Despite the fact that the papal encyclicals of 1891 (*Rerum Novarum*) and 1931 (*Quadragesimo Anno*) mandated that the Catholic Church adopt reformist positions on social welfare questions, the Costa Rican clergy largely ignored these mandates (Backer, Rosenberg 1976). The only exception to this conservative pattern would take place in the 1940s when progressive Church leadership strongly supported state intervention in the "social question."

Another important background factor concerns Costa Rica's low level of industrialization and urbanization differentiation during the first forty years of the twentieth century. As it is today, Costa Rica was then primarily an agricultural society, with coffee and bananas the two most productive sectors of the economy. There was little industrial and manufacturing production in Costa Rica before 1950. Production was geared toward the exportation of the two main agricultural crops. To the extent that urbanization was taking place, most studies reveal that it was largely a response to declining opportunities in the rural areas due mainly to the decreasing availability of land (Seligson, Saenz).

Based upon the experience of other Latin American countries, it might be inferred that Costa Rica's public sector was experiencing rapid growth between 1900 and 1930, but there is no data to suggest this. Contrary to the cases of

Uruguay and Chile, where there were conscious attempts to expand the public sector through the creation of semiautonomous public agencies, an expanded public sector in Costa Rica is only a recent phenomenon. Urban employment was primarily concerned with providing services for the export-oriented economy. Notwithstanding, the level of public and private bureaucratization was low. Economic power was concentrated in the hands of the coffee oligarchy, a local elite, and in the Boston offices of the United Fruit Company.

The low level of industrialization and urbanization was accompanied by little political organization and participation. Despite the democratic nature of politics and the maintenance of electoral procedures for popular political choice, there were few institutionalized political parties prior to the late 1940s; parties were ephemeral groupings of followers around a particular "jefe." Nor were there many politically organized interest groups. Urban labor was dispersed, poorly organized, and ideologically unsophisticated. Before the 1930s, there were no known rural workers' labor organizations, even among the banana workers. Labor unrest did surface in the 1920s, but this activity was directed by workers from less strategic strata of the service sectors (i.e., bakers and shoe repairmen). Thus, there were few serious challenges to Costa Rica's political hierarchy during the early 1900s. If there was a need for state-sponsored social reform, it is clear that few groups had the political wherewithal to make their demands heard publicly.

The most important labor group prior to the 1940s was the rural-based banana workers, formed in the early 1930s. Their general strike in 1934, organized by the newly emerging Communist Party, was aimed primarily at the United Fruit Company (*Partido Vanguardia Popular*, p. 9; Seligson). The workers did make important symbolic gains in social welfare matters (i.e., improved health care and hospitalization facilities), but it was United Fruit and not the state which provided these new guarantees. The urban impact of this strike appears to have been negligible, despite the depressed economic situation in Costa Rica as a result of the world-wide capitalist economic collapse.

Finally, to the extent that there was a need for concrete social welfare programs, it was being fulfilled in incremental, ad hoc ways. Various retirement pension programs had been set up for employees of governmental ministries, especially those in the public instruction and communication sectors; those were legislated in the early 1900s (Montero Jiménez, p. 1). More interestingly, an examination of the Costa Rican Congressional Archives reveals that, prior to 1941, much of Congress' legislation was devoted to questions concerning the ad hoc granting of individual *pensiones de gracia* for deserving citizens. These pensions, in effect, functioned as direct governmental subsidies to citizens to provide them with an income.

Medical care, especially in the urban areas, was available on a charity basis to the poor (Brenes Blanco, Schapiro). It was not until 1927 that the first Ministry of Health was created. Actually, the need for some coherent approach to public health was not officially recognized until 1973, when the first general "Law for the Protection of Public Health" was passed (Brenes Blanco). Prior to that time, public health questions were mainly the concern of local public boards

of protection. Aside from the question of medical care and public health matters, the Church was primarily responsible for social welfare matters, with two exceptions. A child welfare board was established in 1931 (Padilla Castro, p. 27), and a minimum wage law, the first of its kind, was established in 1933 (Lom and Lizano, p. 95).

The world-wide economic depression during the late 1920s and 1930s was the stimulus for concrete social policy initiatives (i.e., import substitution, social security) in some countries. But this was not the case in Costa Rica. During this period, a few minor public works programs and the minimum wage were established, and an Institute for the Defense of Coffee was created (1933). In Costa Rica, unlike other countries during this period, all things were "geared to maintain the status quo" (Torres Rivas, p. 161; also see Vega Carballo). Thus, no clear pattern of state intervention in social welfare questions emerges during the early and middle 1900s. Other questions were just as important, and the Costa Rican elite was not willing to become politically involved in matters that could be dealt with in nonpolitical, private ways. Social welfare, as such, was not regarded as a public, state problem during this early period. This would change dramatically beginning in the early 1960s.

#### SOCIAL SECURITY DECISION-MAKING: FOUR CASES

This case study of social policy decision-making is actually a series of case studies. There are four crucial periods in the history of social security in Costa Rica, and this essay will discuss them with a concern for the process whereby the particular decisions were made and the actors involved in this process. Data on three of these four periods of importance are based upon primary source material (i.e., interviews, documents, proceedings from meetings, etc.), while data for the fourth are from secondary sources.

#### *Social Reform and Workmen's Compensation: 1924–1925*

In 1924, a populist movement led by an ex-member of the Catholic clergy began to assert itself. Jorge Volio, a member of one of Costa Rica's elite families (Stone, p. 519) was responsible for the creation of the Reform Party (Partido Reformista). This party, in alliance with the major urban labor union, the General Confederation of Workers, developed an election platform calling for broad social, political, and education reform (Rosenberg 1976, p. 56; Volio; Rodriguez Vega; Acuña V.; Monge Alfaro). The platform (described in detail elsewhere) constituted the first coherent social program elaborated by any political party in Costa Rica, and it was one of the first attempts to come to the aid of the urban and rural poor on an integrated, programmatic basis.

Volio lost the presidential election of 1924 to Ricardo Jiménez by a two-to-one margin. The election was complicated by the strong showing of a third candidate who was narrowly defeated by Jiménez. To break the deadlock, Volio threw his support to Jiménez in exchange for the latter's promise to adopt the Reform Party platform when he entered office. Jiménez, as president, subse-

quently proposed the creation of a workmen's compensation law. However, there was considerable legislative debate over the content of the law, specifically, the distributional question of "who" would receive protection. Volio and his supporters argued for the widest possible coverage; they felt urban as well as rural agricultural workers should be equally covered. President Jiménez and his supporters favored a narrower, reduced application: agricultural workers should not be covered (Monge Alfaro, p. 213). In obvious deference to the agricultural interests of the country, the Jiménez group argued that these workers should intentionally be left out of the project for fear that their inclusion would cause grave danger to the agricultural sector (Monge Alfaro, p. 224).

A compromise, in the best tradition of Costa Rican civility, was reached. By law, both urban and agricultural workers would be protected. However, it would be up to the executive (i.e., the president) as to exactly when those in the agricultural sector would actually be eligible for coverage. This discretion would be provided through the device of an "executive regulation" in which the president would establish the general conditions and rules of application of the law to the respective clientele. In practice, once the workmen's compensation law was implemented in 1926, only those in the urban sectors were covered. There have been estimates that this constituted roughly 5 to 8 percent of the total labor force.

The workmen's compensation law set many precedents. For the first time the state had intervened to provide social protection for the working class. Despite the limitations of the law, it was a noteworthy departure from the previous laissez-faire attitude of the government. On the other hand, the most important export-oriented sector of the labor force was not eligible for coverage. Thus, the financial interests of the oligarchy were left relatively untouched by the law. Second, an "autonomous" agency with an independent bureaucracy had been established to administer the state-sponsored social program. This agency, following the Uruguayan model, would be the first of many to come, particularly in the 1940s and early 1950s in Costa Rica.

#### *Social Reform and Social Security: 1941*

The Workmen's Compensation Act of 1925 was not the beginning of widespread state intervention in Costa Rica's political economy. It was the end. Between 1925 and 1941 there were few significant state-sponsored social reforms despite the impact of the depression and despite increased state intervention throughout the Americas during this period. The basis for Costa Rica's contemporary system of social security was established in 1941, with the passage of the obligatory social insurance law. Close examination of the development of this law reveals several things. It was primarily conceived by the newly elected president, Dr. Rafael Angel Calderón Guardia, and a select group of his advisors and friends. Every attempt was made to keep the project secret from all domestic social groups. There was little explicit and overt action to build widespread mass support for the program until it had been legislatively approved. The administering bureaucracy had a wide range of discretion in which to interpret the law



and provide for its implementation. Throughout the development of the social insurance law, from its initiation to its final implementation, an international organization played both an important legitimizing as well as implementing function.

Much has been written about Costa Rica's first great social reformer, Dr. Rafael Angel Calderón Guardia (Rosenberg 1976, Creedman, Aguilar Bulgarelli, Calderón Guardia 1942, Fernández Mora, Navarro Bolandi). However, little is actually known about his exact relationship to Costa Rica's most significant social welfare reform, social security. This question has been investigated intensively (Rosenberg 1976). First, Calderón Guardia was greatly influenced by Catholic social reform doctrine due mainly to his educational experience under the progressive Cardinal Mercier in Europe (Backer, p. 71). Second, as a physician, Calderón Guardia had the opportunity to work with rich and poor alike. He apparently was genuinely moved by the plight of the masses and was determined to do something to help them. In short, Calderón Guardia recognized that a social problem existed. In addition, he and some of his close friends who had similar backgrounds were increasingly concerned about the growing influence of the Communist Party. They wanted to do something positive to retard or destroy the Communist movement. A program of social security was seen as the logical response. In late 1940, the decision was made to send one of the president's trusted advisors to Chile to study that social security system. Every effort was made to keep the trip a secret.<sup>3</sup> There was neither public debate nor even direct pressure from any groups at that time to introduce social insurance.<sup>4</sup> Once the project was written by Calderón Guardia's aides,<sup>5</sup> there was a hasty attempt to hustle it through the unicameral congress. Again, there was no perceivable public reaction to the social security project, pro or con, because there was an explicit attempt to limit the available information on the issue. Unlike the 1924–25 debates on workmen's compensation, there was little dispute over the "who" of coverage. Calderón Guardia had purposefully kept the social reform legislation very limited in terms of its applicability. The hope was to avoid a sustained public debate on the issue.

Once the social insurance law was approved in late 1941, there was an attempt to build mass support. This was accomplished in three ways. The newly created institute (Costa Rican Social Insurance Institute), charged with the implementation and administration of the programs, sponsored informational rallies in its own support.<sup>6</sup> Second, the social insurance bureaucracy purposefully encouraged potential support groups (i.e., the Communists) to pledge their support to the program openly and freely. Finally, the Costa Rican Catholic Church, under the leadership of a reform-oriented archbishop, publicly called for support of both Calderón Guardia and his social reform program (Sanabria, pp. 95–97).<sup>7</sup>

The law left wide-ranging discretion to the newly created bureaucracy. This was mainly due to the desire to avoid dissension in the deliberative legislative stages. The issues were kept simple; the bureaucracy would subsequently decide them. But these issues were important ones: who would actually be the first to receive social insurance coverage; which benefits would first be provided;

and how much would the respective participating groups (employers, employees, and the state) pay. These questions were decided by the bureaucracy largely through the use of administrative, technical criteria (Rosenberg 1975, p. 61; 1976, pp. 113–18). There appears to have been very little, if any, outside pressure-group interference in these important questions.

Finally, had it not been for the International Labour Organization (see Rosenberg and Malloy), it might have been impossible to develop and put into effect the social insurance law. The ILO was a source of information on social insurance theory as well as practice. Especially in the latter area, it could provide skilled actuarial advice on the latest social insurance techniques and procedures. My investigation reveals that implementation of the 1941 law was delayed up to six months because of the lack of anyone skilled enough to formulate the necessary actuarial tables.

An examination of the implementation of the first social insurance law is revealing. First, the law called for an immediate pension program. Instead, the social insurance institute established a program of sickness and maternity coverage. Apparently, there was every intention of initiating the latter from the beginning, when Calderón Guardia first conceived of the program, but there was fear that state intervention in health care matters might arouse the powerful medical interests in the country.<sup>8</sup> Thus, a pension system was seen as a politically expedient route to follow for legislative approval.

Second, the law provided that coverage would be granted to those white- and blue-collar public and private employees in urban areas with a salary below 300 colones a month (approximately \$54.00 at the 1941 rate of exchange). According to rough calculations, this salary limit meant that most low- and middle-income workers were provided coverage. Mesa Lago suggests that the first to receive state-sponsored coverage are usually the upper income, “privileged” white-collar groups. Obviously, this did not happen in Costa Rica; however, this does not mean that Costa Rica’s neediest were the first to receive social insurance coverage. They were not. In fact, the first social insurance benefits were provided for those who were actively employed with an identifiable employer, usually in an urban area (especially the capital). Social insurance was aimed at providing state-sponsored protection for the “productive” sector of the work force. Thus, in Costa Rica, as elsewhere, social insurance was initiated less as a program of income redistribution than as a program of income maintenance and job security for the more advantaged in society.<sup>9</sup> The urban and rural poor were excluded from early social insurance health coverage in Costa Rica, just as they were left unprotected by the 1925 workmen’s compensation law.

#### *Social Reform and the Universalization of Social Insurance Coverage: 1961*

There were few important public policy initiatives concerned with social insurance coverage following the 1941 law and its subsequent reform in 1943. Neither the Civil War of 1948 nor the assumption of power in 1953 of “reformer” José Figueres had much of an impact upon the extension of coverage. During the 1950s, expansion was incremental and largely limited to increases in those areas



that had previously been covered. Indeed, one of the most persistent problems concerned the state's inability to meet its financial obligation to the institute. Thus, while there was a formal state commitment to provide social protection, this commitment was rarely met in the 1950s. One of the results was a "stagnation" in terms of the expansion of social insurance coverage, partly exacerbated by the rapid increase in Costa Rica's population (see table 1).

TABLE 1 Social Insurance Health Care Coverage: Insured Population, 1942-1975

Years	Insured Workers	Insured Families	Total Insured	Total Population	EAP**	% Coverage EAP	% Coverage Total Population
1942	12,000	0	12,000	n.a.	n.a.	n.a.	—
1943	14,000	0	14,000	n.a.	n.a.	n.a.	—
1944	25,710	0	25,710	685,302	233,003	10	—
1945	43,472	0	43,472	704,434	239,507	18	—
1946	47,192	5,000	52,192	725,222	246,575	19	—
1947	50,333	n.a.	n.a.	745,924	253,614	20	—
1948	52,750	n.a.	n.a.	766,064	261,096	20	—
1949	57,398	n.a.	n.a.	788,852	268,798	21	—
1950	63,317	n.a.	n.a.	812,056	272,774	23	—
1951	65,900	n.a.	n.a.	838,084	282,434	23	—
1952	70,189	n.a.	n.a.	868,741	290,159	24	—
1953	71,876	n.a.	n.a.	971,312	297,347	24	—
1954	73,072	n.a.	n.a.	1,008,766	306,035	24	—
1955	79,290	42,813	122,103	1,048,512	315,133	25	12
1956	81,348	51,935	133,283	1,089,570	326,563	25	12
1957	84,390	58,351	142,741	1,131,762	335,739	25	13
1958	86,019	72,308	158,327	1,176,480	347,588	25	13
1959	92,215	56,265	148,480	1,226,895	359,802	26	15
1960	94,304	94,802	189,106	1,276,001	371,726	25	15
1961	105,562	119,983	225,545	1,320,662	384,179	27	17
1962	111,279	157,018	268,297	1,367,067	396,060	28	20
1963	118,374	198,713	317,087	1,414,910	410,898	29	22
1964	126,435	214,362	340,797	1,464,437	419,819	30	23
1965	131,928	319,462	451,390	1,515,292	430,126	31	30
1966	138,450	397,284	535,734	1,567,230	446,676	31	34
1967	152,346	453,408	605,754	1,615,480	476,567	32	37
1968	176,148	528,300	704,448	1,664,581	499,374	35	42
1969	194,942	584,826	779,768	1,710,083	513,025	38	46
1970	202,291	606,373	809,164	1,762,462	528,739	38	46
1971	231,934	695,802	927,736	1,811,290	544,210	43	51
1972	254,696	764,088	1,018,784	1,867,045	560,114	45	55
1973	289,561	868,683	1,158,244	1,924,516	577,355	50	60
1974	308,124	924,372	1,232,495	1,987,895*	638,432*	52	62
1975	323,399	968,400	1,291,799	2,005,000*	650,000*	54	65

Source: Caja Costarricense de Seguro Social, *Memoria Annual 1975*, p. 2.

\*Estimated.

\*\*Economically Active Population

In 1961, a constitutional amendment was passed stipulating that the social insurance agency (the Social Insurance Institute) should “universalize” its services within a period of ten years (Decreto No. 2738, 1961). In practical terms, this meant that all of Costa Rica’s citizens would be covered by social insurance programs (both health and pension) by 1971. Indeed, this was an important policy directive. If taken seriously, it would mean that social insurance coverage would have to expand twenty-fold within a period of ten years. Clearly, this type of policy directive was one that would have profound effect on the fabric of social life. It would mandate widespread state interference in health care and pension matters. And the financial implications had a decidedly redistributive flavor, for how could Costa Rica’s poor citizens (those who had still not received coverage) pay the high costs of social insurance protection? Thus, both for social and political reasons, the universalization mandate was of the highest importance.

This mandate must be understood within the international and national political contexts. The Cuban Revolution had a profound impact on Latin America. It symbolized the urgent need for social reform, and the price that ruling elites would pay if reform was continually neglected. The subsequent Act of Bogotá and the Alliance for Progress publicly legitimated a vigorous state-sponsored approach to social and economic reform throughout Latin America. The Costa Rican commitment to social insurance universalization can partly be understood as a local response to the changing inter-American political environment.

The national political context was one of extreme competition between the executive (controlled by a conservative minority party coalition), led by President Mario Echandi, and the legislature dominated by the National Liberation Party (Partido Liberación Nacional). During this period of party competitiveness (1958–62), important reform legislation was passed, including a law for industrial protection and one for agrarian reform (Seligson). Therefore, the universalization mandate can be understood as part of a larger reform orientation of Costa Rica’s government within the changing context of the inter-American reform movement.

Notwithstanding both the international and national political contexts, the actual idea to provide for social insurance universalization came about in an ad-hoc, accidental way. In early 1961 a high-level meeting took place between members of the National Liberation Party (acting in their capacity as members of the unicameral legislature) and representatives of the Costa Rican Social Insurance Institute.<sup>10</sup> There was a discussion concerning the disposition of new funds that were to be released to the institute as a result of the proposed constitutional amendment. One of the legislators pointed out that with the new amendment, the institute would finally receive the necessary state financial support to extend social insurance coverage.

The legislator worried whether the extensions in coverage would actually be made; what guarantee was there that the money would not be squandered in risky investment projects? The social insurance bureaucrat could not provide any guarantees, except for the good will of the social insurance directors and

managers, who would be interested in extending further benefits. The legislators were not satisfied. If a conservative government, uninterested in social insurance, took office, what guarantee would there be that the new funds would be used to extend social welfare coverage? Again the bureaucrat could provide no guarantees. Accordingly, one of the legislators suggested that a special amendment be added to the reform legislation. It would stipulate that the social insurance institute, by law, had to universalize its services within a period of ten years. The bureaucrat immediately rejected this proposal. First, any decisions about the rate and timing of social insurance extension was a policy matter expressly entrusted to the institute and beyond legislative purview. Second, the ten year designation was arbitrary and had no scientific or technical rationale. Universalization within a period of ten years was desirable, but impossible, according to the bureaucrat.

The legislators were adamant. If the institute did not accept these terms, then majority party support for the constitutional reform would be withdrawn and the institute would not receive the needed finances. The bureaucrat reluctantly agreed to the universalization mandate. From this one crucial meeting then emerged the most important measure of social welfare reform in the last two decades in Costa Rica, and quite by accident.

Its impact was significant for a number of groups. First, in its broadest sense, the reform clearly mandated massive state intervention in health care and pension matters on a national basis. It meant that groups who were not covered, especially those in regionally dispersed areas, must be given coverage. It meant that those whose occupational status did not readily lend itself to social insurance coverage, such as self-employed farmers (peasants), craftsmen, and professionals, would now become eligible. Third, the reform provided the basis and legitimacy necessary for the social insurance bureaucracy to increase its own power by increasing its potential welfare clientele and budget, with a constitutional rationale to do so. Subsequently, during the decade of the 1960s, social insurance coverage underwent "its most notable expansion" (Caja Costarricense de Seguro Social, p. 13), as table 1 illustrates.

#### *Social Reform and the Implementation of Universalization: 1970–1975*

As a result of the 1961 constitutional mandate, the Costa Rican Social Insurance Institute carried out a vast program of benefit expansion during the 1960s (see table 1). The universalization mandate not only committed the state to an unprecedented level of social protection, it was a decisive stimulant to a growing bureaucracy that had become moribund in the 1950s.<sup>11</sup> Two critical factors must be mentioned: the constitutional mandate symbolized a commitment on the part of Costa Rica's political elite to provide generalized social protection through the social insurance institute; and bureaucratic technicians from the institute seized this opportunity and saw it as a way of implementing progressive social security doctrine that had been developed internationally by the ILO. Thus, two important factors accounting for the massive expansion in Costa Rican social insur-

ance coverage in the 1960s coincided: decisive political leadership and assertive bureaucratic initiative.

Comparative data from table 2 illustrate that Costa Rica was far ahead of her neighbors in terms of providing social insurance protection during the 1960s. But between 1970 and 1975, there were significant government initiatives to increase social insurance coverage even further. First, beginning with the Figueres administration (1970–74) and continuing through the Oduber regime (1974–78) there has been an even greater public commitment to questions of social welfare and health reform. This commitment has translated itself into an active state concern for concrete policy initiatives in the area. Indeed, beginning in 1970, there was a conscious state attempt to intervene constitutionally in the previously “autonomous” corporations that administered most public services in Costa Rica in order to provide a more coherent state approach to public policy.<sup>12</sup>

In 1971 the social insurance institute, with bipartisan legislative support, succeeded in passing a reform that called for the elimination of limits to social insurance coverage based on salary. Prior to 1971, higher income groups with salaries above a designated monthly figure were exempt from either paying into or enrolling in the social insurance system. This reform had the effect of forcing

TABLE 2 *A Comparison of Social Security Coverage of the Economically Active Population in Selected Latin American Countries*

	1960	1966	1971
Brazil	19% <sup>a</sup>	20% <sup>b</sup>	n.a. <sup>c</sup>
Chile	67	70	70
Costa Rica	25	31	54
Cuba	63 <sup>d</sup>	100	100
El Salvador	5	7	12
Guatemala	n.a.	27	27
Honduras	n.a.	5	5
Mexico	12	20	25
Nicaragua	n.a.	15	16
Peru	25	32	36

Sources: *Brazil*—Economic Commission for Latin America, *Economic Survey of Latin America* (New York: United Nations, 1970), p. 70; *Chile*—Carmelo Mesa Lago, *Social Security Stratification and Inequality in Chile* (Pittsburgh: University of Pittsburgh CLAS, 1973), p. 102; *Costa Rica*—Caja Costarricense de Seguro Social, *Memoria Anual* (1975), p. 2; *El Salvador, Honduras, Guatemala, Nicaragua*—Instituto Mexicano del Seguro Social, *La Seguridad social en los países del istmo centroamericano* (México, 1973); *Mexico*—Carmelo Mesa Lago, “Social Security Stratification and Inequality in Mexico” (Paper delivered at the IV International Congress of Mexican Studies, Santa Monica, Calif., 1973), p. 24; *Peru*—Carmelo Mesa Lago, “Social Security Stratification and Inequality in Latin America: The Case of Peru” (Paper delivered at LASA, Madison, Wisconsin, 1973), p. 101.

<sup>a</sup> 1962 data.

<sup>c</sup> Not available.

<sup>b</sup> 1967 data.

<sup>d</sup> 1959 data.

this previously privileged group to pay a proportionate amount of its income to support the social insurance system. Since the payment scale was a progressive one, it provided an element of structured cross-class redistribution into the social insurance system, which previously had been lacking.

This reform, initiated and sponsored by the Costa Rican Social Insurance Institute, was crucial if there was to be an effective implementation of the 1961 universalization mandate. More importantly, the institute conceived of it as a financial *sine qua non* if the previously excluded sectors of Costa Rica's rural population were ever to receive social insurance protection. But the massive costs inherent in expanding services to the large percentage of rural Costa Ricans could not be met solely by eliminating the salary limits. Thus, the institute unilaterally decided that the social insurance taxing scales had to be readjusted. Since the state was still not meeting its financial burden, social insurance bureaucrats decided after careful study that the bulk of this burden should be shifted to employers. Thus, the employers' social insurance tax would be raised. This measure was accomplished in 1974 largely through executive decree.<sup>13</sup>

Once the institute accomplished these financial reforms, the question of an effective universalization could be pursued more easily. In 1974, the institute, with the support of President Oduber, established obligatory social insurance coverage for self-employed workers (a group that previously was not covered). At the same time, the Oduber government sponsored family assistance legislation that would in part provide monthly pensions for the aged and indigent who had no other social welfare protection. These same people also became eligible for social insurance health care coverage. Both the pension and health care aspects of family assistance would be administered by the institute.

Thus, by 1975, social welfare legislation mandating social insurance coverage was provided for all citizens of Costa Rica, regardless of occupation or region. No data are yet available to give us an idea of what the practical implications of total coverage mean. One thing is clear, however; Costa Rica's social insurance system, as one element of state-sponsored social welfare, is the most progressive in terms of coverage in Central America, and one of the most progressive in all of Latin America.

#### CONCLUSION

Social security coverage has expanded dramatically since the first programs were cautiously implemented in the 1920s. The most important public policy initiatives in this issue area took place within the last two decades, first in 1961, then beginning in 1970 and continuing to the present. Costa Rica today has one of the most comprehensive social security programs in Latin America.

With regard to Carmelo Mesa Lago's groundbreaking research, a number of important points should be made, especially with regard to the political aspects of social security policymaking. It appears that pressure groups, acting by and for themselves, had very little direct role in the policymaking process in Costa Rica. Perhaps the exception can be found in the Workmen's Compensa-

tion Act of 1925; but even then, Jorge Volio's *reformistas* were not able to dictate the scope of coverage of the new social program. The limited social protection program was turned over to a new administrative organ, that maintained a high degree of autonomy vis-à-vis outside group pressure. President Calderón Guardia's 1940 decision to create an obligatory social insurance program was elitist and paternalistic. There may have been indirect pressure by outside groups for social insurance, they may have been able to call attention to the need for such a program; but they were not able to define its content, nor did they have any direct impact on the actual distribution of its benefits. This finding does not coincide with Mesa Lago's propositions concerning social security politics. What does seem to be the case in Costa Rica, at least until the late 1960s, is that groups were able to *exclude* themselves from obligatory social insurance coverage, especially in the health care area. Mesa Lago completely neglects this aspect of social security politics.<sup>14</sup>

In Costa Rica, three factors stand out in explaining the social security policymaking process. First, the social insurance bureaucracy has played an instrumental role in all stages of the process. It has continually called attention to social-insurance related problems and it has elaborated policies to deal with them. At times, the social insurance institute has acted as its own pressure group, lobbying by and for itself. The literature indicates that this has been the case elsewhere (Mishra), especially in the issue area of social security.

Second, progressive political leadership in Costa Rica has been largely responsible for giving direction to the social insurance bureaucracy. This began in the early 1960s, but has been clearest under the recent Figueres administration (1970–74) and under the presidency of Daniel Oduber (1974–78). Both Figueres and Oduber have been extremely interested in increasing the scope of coverage, and they have given strong support to the Costa Rican Social Insurance Institute. This strong executive leadership was lacking in Costa Rica during the late 1940s and 1950s, especially in the issue area of social security.

Finally, it appears that an international organization, the ILO, has played an important role in social security policy formulation. The actual establishment of the obligatory social insurance program in 1941 was partly due to assistance rendered to Costa Rican decision-makers by ILO *tecnicos*. Indeed, the ILO has formulated a broad ranging doctrine (in part based on the famous Beveridge Report of 1944) that has been used as the basis for the policy developments concerning social security in Costa Rica.

The recent concern for authoritarian political dynamics in Latin America has resulted in a neglect of the study of policymaking in the few remaining "democracies." Interestingly, the Costa Rican case study suggests that there are striking similarities in the policymaking process across regime types, especially in the area of social security. One recent study of social security policymaking in Brazil (Malloy 1976) shows that the process is highly centralized, elitist, and dominated by *tecnicos*. This could especially characterize Costa Rica during the last five years, except *tecnicos* have not played such a dominate role as in Brazil. Indeed, the increasing centralization of social security policymaking in Costa



Rica is related to a larger and more generalized phenomenon taking place in Latin America: the attempt by the state to exercise greater coordination and control over all aspects of public policy. Costa Rica is no exception. A recent law (1974) mandated new state control over the previously semiautonomous public service corporations (including the social insurance institute).<sup>15</sup> The purpose was to provide more direct executive (i.e., presidential) control over vital aspects of public life. The effect hoped for is to give the president greater overall policy control and coordination. Recent important extensions in social insurance coverage in Costa Rica must be understood within this context.

Finally, this case study illuminates the "how" of Costa Rican rulership. Characteristics of patterns of Costa Rican politics as elitist and paternalistic would certainly fit this analysis. But in social insurance policymaking, the elites have been acting for the masses, especially within the past five years. The democratic electoral political arrangements and the growing population pressure make some measure of elite responsibility mandatory. And while it is clear that Costa Rica's leaders are extremely desirous of maintaining the status quo, it is equally clear that they are willing to promote a high degree of political change through public policy to maintain the status quo.

Future research on social security in Latin America should address itself to a number of interrelated questions. The first and most important concerns the relationship of social security policymaking to patterns of state intervention. This study illustrates that the state paternalistically initiated a mass program of social security. Other studies suggest that interest groups have taken the initiative in demanding state sponsored social protection. Possibly, the pattern of initiation can be important in determining the overall equality of the social security program. The question has yet to be resolved.

Second, future research should investigate the policymaking role of the social security bureaucracy. This study illustrates that the bureaucracy became an independent and vital actor in the policymaking process, even when there was a lack of outside clientele pressure to be active. Of related significance is the expanded role of *tecnicos*, especially social security *tecnicos*, in Latin America. Whose interests do they actually represent? Are their policy guidelines determined by national or international criteria? This research has suggested that national level *tecnicos* were important in the policymaking process. But it also suggests that these *tecnicos* were following largely internationally derived policymaking criteria.

Finally, future research might investigate the differing political problems that derive from highly centralized and decentralized systems of social security. The high degree of centralization in Costa Rica's social welfare program obviously implies a much different interest-group dynamic than does the high decentralization of other Latin American social security systems. Correspondingly, the level of centralization has important implications for group input in policymaking, overall system equity, and coordinated uniform social welfare programs. These and other topics remain to be investigated and could prove fruitful in expanding our knowledge of state-society relations in Latin America.

## NOTES

1. Mesa Lago investigated the relationship between social security and income inequality in Argentina, Chile, Mexico, Peru, and Uruguay. See also James Malloy (1976) for a similar study on Brazil.
2. An exception to this would be John Bailey's study on social security in Colombia.
3. Much of the information in this section comes from interviews with two of Calderón Guardia's closest advisors: Dr. Guillermo Padilla Castro, who was sent to study the Chilean social security system and who was Calderón's "man behind the scenes," and Dr. Mario Luján, who was the Minister of Public Health and Sanitation under Calderón Guardia. Interviews conducted with Dr. Padilla Castro: 10 December 1974, 17 April 1975. Interviews conducted with Dr. Mario Luján: 14 December 1974, 4 April 1975.
4. My investigation has revealed that various groups had called for the establishment of social insurance as early as 1924. Jorge Volio's Partido Reformista listed social insurance as one of the needed programs of reform. In the early and late 1930s, the Communist Party called for the establishment of social insurance. However, when the program was actually established in 1941, there is no evidence whatsoever linking Communist pressure to Calderón Guardia's decision. I attempted to interview the Communist Party leader Manuel Mora on at least four different occasions and I left him with a list of questions pertaining to this critical period. Unfortunately, Mora did not respond. Hence the record is incomplete.
5. The closed and secretive process in which the first social security law was developed is further illustrated here. In other Latin American countries, the actual writing of the social security law served as an important source of group input. For instance, in Mexico, a tripartite commission was formed for this purpose. But in Costa Rica, the law was written by two of Calderón's closest advisors, Guillermo Padilla Castro and Dr. Mario Luján. Prior to the project's submission to the congress, it was shown to three prominent Costa Ricans, among others Tomas Soley, an ex-Minister of the Treasury, and Raul Gurdian, a well respected lawyer who represented the United Fruit Company.
6. Information on these rallies is extensively documented in a short-lived journal entitled *Su Seguridad* published by the Costa Rican Social Insurance Institute. This journal contained articles calling for further programs of social reform in Costa Rica to complement the new social insurance law. *Su Seguridad* was published on an intermittent basis from 1942 until 1944.
7. Another excellent social reform document during the early 1940s is the Catholic Church's *El Mensajero del Clero*. This monthly journal was used by Monseñor Víctor Sanabria, the Costa Rican archbishop, to publish articles calling for social reform following the Catholic social doctrine expressed in the *Rerum Novarum* and *Quadragesimo Anno*. Sanabria and Calderón Guardia were close friends.
8. In fact, in 1944 the country's medical doctors (including the physicians who worked for the social insurance institute) organized into the National Medical Union. Two years later, this union sponsored a strike against the institute. Symptomatic of the growing social and political polarization of the time, this strike was carried out to prevent a planned extension of social insurance coverage. The doctors alleged that the extension would harm their private practices. For a fuller treatment, see Rosenberg (1976, chap. 4).
9. As it was historically conceived, social insurance was not based on a social right, but rather on a contractual commitment determined by contributions to be paid over time in a tripartite fashion by the worker, his employer, and the state. The class basis of social insurance is obvious. It was originally conceived in a European industrial context. It was geared to those who were already urbanized and had steady, salaried jobs. Those who were fortunate enough to have an employer, or to be vocationally attached to a more modern sector of the economy, would be favored due to their more

- organizational and administrative attractiveness. Therefore, it could be argued that the program was narrowly defined in Costa Rica, for it gave no protection to the unemployed and the underemployed, and only limited protection to the self-employed.
10. In separate interviews, both Enrique Obregón, the PLN party member, and Rodrigo Fournier, the institute's assistant general manager, told me the same story of this meeting. Interview with Enrique Obregón, 2 May 1975; interview with Rodrigo Fournier, 18 July 1975.
  11. For a general description of "bureaucratic immobility" in Costa Rica, see Denton and Stone (1975). Rodolfo Cerdas Cruz also discusses the role of Costa Rica's bureaucracy within the larger context of the "crisis" of Costa Rican democracy.
  12. One of the outcomes of this increasing state concern with public policy was the 1971 preliminary plan to reorganize health care services under the aegis of the Costa Rican Social Insurance Institute (Ministerio de Salubridad Publica).
  13. A thorough study of this decision would be fascinating. From the preliminary data that I have gathered (Rosenberg 1976, pp. 257–313) it is clear that the decision to increase the employers' social insurance burden was made at the highest bureaucratic and political levels. In fact, important representatives of the business sector were apparently consulted and agreed that their social insurance taxes should be raised.
  14. In all fairness to Carmelo Mesa Lago, it must be pointed out that his efforts were largely aimed at investigating the relationship between the distribution of social security benefits and income inequality.
  15. The semiautonomous public service corporations were originally given the task of promoting change and development in a "nonpolitical" fashion. Thus, they were "independent" of executive control and coordination. See Denton for a critique of this administrative structure.

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