O impacto do Novo Regime Fiscal do governo Temer na proteção social no Brasil

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Resumo:
Este artigo analisa alguns impactos do Novo Regime Fiscal do governo Temer na proteção social no Brasil. O objetivo é dividido em duas partes: primeiro, analisar a extensão que este Novo Regime Fiscal terá na retração das políticas sociais e segundo, mapear quais serão os grupos sociais mais afetados. Isso será feito a partir de uma perspectiva comparada tanto com a Constituição Federal de 1988, que propõe um papel decisivo para o Estado, quanto com os resultados alcançados pelo Partido dos Trabalhadores no que se refere às políticas sociais. A crise política brasileira desde 2013 combinou uma mudança radical no Executivo de um governo federal de esquerda para um governo à direita do espectro ideológico com apoio da maioria do Congresso nas duas casas. Assim, como o novo presidente chega ao cargo sem voto popular mas com suporte do Legislativo, isso lhe permite tomar medidas impopulares no que concerne à proteção social.

Abstract:
This article analyses some impacts of the New Fiscal Regime of Temer’s government on social protection in Brazil. The aim is divided into two steps: first, to ask to what extent this New Fiscal Regime will lead to retrenchment on social policies and who will be the most affected social groups. This will be undertaken in a comparative perspective with the Federal Constitution of 1988 and the achievements that the Labour Party has done in social policies. Here, we will compare the New Fiscal Regime looking at Health, Education, Social Assistance and Social Security with the Constitutional determinations about social protection. The Brazilian political crisis since 2013, combined a radical shift in central government from left-wing party to a right-wing party with a majority support from the Congress. As the new president reach the office with no popular vote but he has the support from the Legislative, we argue that permits to this government unpopular measures regarding social protection.

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Introduction

Since the welfare state crisis during the 1980s, the theme of the welfare state retrenchment is at the heart of academic debate. In 2007, it started a second turn of the economic crisis with direct consequences in public finances across the European countries and the world (Starke et al., 2013; Kickert et al., 2015). According del Pino and Ramos (2016), “spending cuts have accounted for two-thirds of the volume of fiscal consolidation (versus one third accounted for by the increase in revenues) in many countries” (2016:1). Some countries have been affected more than others, such as Spain and Greece, for instance. Although one could highlights, to some extent, the economic and financial fragility of Southern European countries, the literature in the last ten years has been plentiful of analyses about financial and economic crisis cases around the world and its consequences to social expenditures (Dellepiane and Hardiman, 2012a, 2012b; Guillén and Pavolini, 2015; Heins and de la Porte, 2015; Bauer et all 2014). But, we also can cite authors that discuss about the myth of the welfare state crisis in the 80’s (Castles, 2004; Kerstnestsky, 2012), by now, we are reaching a consensus that this could be proclaim the era of permanent austerity, as Pierson named it in 1998. As a consequence of this permanent austerity time, cutbacks in social policy have been mandatory even to left-wing governments, although they had different strategies and levels. The landscape is not different in some of the South America countries, which include Brazil, Argentina and others.

Researchers of the welfare retrenchment have been successful in their theoretical explanation of “how political decisions to curb government income could be seen as a strategy of systemic retrenchment” (Klitgaard et all, 2012:1). There is an agreement by the specific literature that political decisions to decrease social protection are highly unpopular. In addition they are associated with risk of the electoral punishment (Pierson, 1996: 144; Klitgaard, 2012). Thus, the question is why political actors retrench, and what strategies have been used? This study analyses how determinant, in the context of deep political and economic crisis, are the political factors that led governments to retrench in the most important social policies in order to reach fiscal stability.

To analyse this issue, we propose a case study of Brazil in recent days. The political crisis that began in 2013 brought a new president to the Executive. This new president forced a New Fiscal Regime (NFR) that has direct impacts on Brazilian social policies. This New Fiscal Regime has the
aim of imposing limits on the growth of the Federal government's primary expenditure over the long term. As we will see, the social expenditure in general will have a huge impact.

With the aim to assess the extent of reforms, the article is organized as follows: first a discussion about the concepts of welfare state retrenchment and how the theories about the way that governments do coping with austerity times using blame avoidance or credit claiming. Secondly, we will explain what is the New Fiscal Regime. After that will be necessary to return to the Federal Constitution of 1988 in order to understand the impact of the NFR on social policies. Thirdly, we present an explanation to the systemic retrenchment. Finally, some conclusions were, basically, we argue that this New Fiscal Regime means a systemic retrenchment on social protection in this country as far as the deep impact on healthcare, education, social assistance and social security.

Retrenchment, (de)regulation, dismantling policies: blame avoidance or credit claiming?

Regarding the phenomenon under study, there is no consensus in the literature as regards the best term to be used, the concepts could change the focus of the analysis but, in general, they are more complementary than excluding. In general, the debate encompasses reforms, cutbacks, (de)regulation, efforts to contain and to reduce social expenditures, for example, either welfare retrenchment or policy dismantling, as brought by Pierson (1994) (Bauer pag 16; GreenPedersen, 2004: Levy 2010). This way, we have several concepts close each other to express a multifaceted phenomenon. According to Bauer and Knill (2014), policy dismantling is “a change of a direct, indirect, hidden or symbolic nature that either diminishes the number of policies in a particular area, reduces the number of policy instruments used and/or lowers their intensity. It can involve changes to these core elements of policy and/or it can be achieved by manipulating the capacities to implement and supervise them” (2014:35). It is our departure point. Jordan, Green-Petersen and Turnpenny (2014) stress that the mainstream literature of social policies does not use the term retrenchment ordinarily. The authors noted that the term regulation is more dominant with a variant of deregulation. Actually, the three authors are making a point about the importance between to study if a government is terminating, deregulating or retrenching because they are different strategies to policy dismantling.

It means that we could talk not only about policy dismantling of the welfare state as Pierson emphasized, but also as liberalization as highlighted by Marjone in a way that the state regulate the society (xxxx 12). Jordan et all (2014) try to clarify the difference between deregulation and re-regulation. They brought us to the Marjone’ deregulation concept as “a process through which
traditional structures of regulation and control are dismantled or radically reformed” (11). For them, this deregulation process could be done through cancelation or abolition of existing rules and through to substitution and systematization, which means different ways of revising the existing rules (12). The idea of deregulation, then, brings us different instruments and broadens our analytical capacity. Also, it is important to aggregate the idea of systemic or not systemic retrenchment, as brought by Pierson. According to Pierson there are some kind of political actions that “constrain government revenue in order to limit the amount of money that can be allocated to public programs as a key strategy of systemic retrenchment. The logic of such strategy is quite simple; where there is no money there can be no programs” (Pierson, 1994: 15; Klitgaard et all, 2014).

It is very useful to understand the different dimensions of our phenomenon. For instance, the concepts of policy density and policy intensity used by Jordan et al really help us. For them, “policy density describes the extend to which a certain policy area is addressed by governmental activities. Policy density tells us something about the penetration and also the internal differentiation of a given policy field, subfield or policy item”, it describes the breadth of legislative activity in a given policy field. By other hand, “policy intensity provides a basis for measuring the relative strictness and/or generosity of policies. Each decrease in policy intensity signals that a jurisdiction intervenes less intensively in a given issue area, perhaps resulting from the application of policy dismantling strategies” (Jordan et al: 34) It permit to classify better about a policy dismantling process, the strategies adopted, and if its consequences would be more on the density or on the intensity dimension. We argue that the term policy dismantling could encompass all these analytical categories. They should be used to disentangle internally the phenomenon.

But politicians want to preserve their chances of re-election even when they want to implement a policy dismantling agenda. Then, we need to focus on which strategies politicians choose and what segment of the population would be chosen to loose something. It need to be analysed given others actors’ preferences, actors’ strength on political arena, institutional constraints, left’ strength on parliament, and opportunities, beyond situational factors (XXX: pagina 31). The question here is under which conditions do politicians engage in policy dismantling?

Firstly, the analysis needs to consider the institutional constraints as requisition of special majorities in the legislature to change constitutional decisions, as the Brazil case, very difficult to be achieved, and also the existence and strength of the veto-players (Bonoli 2001; Obinger, Leibfried and Castles 2005). For example, has the labour movement a strong mobilizing capacity? Have the left-wing parties a strong presence at the parliament? What is the political feasibility to implement policy dismantling? (107) The literature is plenty of examples how some of the losers turned out being veto players. We could give several examples of this veto-players capacity to withdraw plans.
to cut pensions or even non-contributory benefits as Italy an Spain cases (Bonoli 1997; Natali 2002; Palier 2002). In order to be able to pass systemic reforms, for instance, a government needs to be have majorities on the Congress, and be able not only to blame avoidance in its strategies but need to neutralize or to co-opt the opposition. This way, a policy dismantling needs to be a bland between blame avoidances strategies and politically feasible options.

Under this context, to talk about blame avoidance is assuming that the punishment is always expected. It brings us to our second analytical factor: the ideology of the government as central to explain our phenomenon. The literature already surpasses the time when we thought that every government would have the same chance to be electorally punished. Today it is knew that right-wing government parties can even benefit electorally from welfare state retrenchment (Persson and Svensson, 1989; Klitgaart, 2014; Bonoli, 2012 Giger and Nelson, 2011; Schumacher et al., 2013; Elmelund 2015). This way, can be attractive to right-wing governments the idea of systemic retrenchment, for instance. According to Klitgaard and Persson and Svensson, such strategy is not only “perfectly consistent with their general preference of less taxing and government spending, it would also reduce the capacity of left-wing successors to pursue expansionary policies in the future” (Persson and Svensson, 1989). Therefore, even when they have the option to claim the credits, they will pursue blame avoidance strategies. In contrast, the more old acknowledge has showed us that the Left-wing governments are expected to tend to a more comprehensive social protection (klitgaard et all.p.6). Thus, one would expect that left-wing governments should be punished (Giger and Nelson, 2011; Schumacher et al., 2013; Elmelund 2015).

But if the policy dismantling is adopted, then who will be affected? Always we will have some part of the citizens dissatisfied. Jordan et all (2014) did a good paraphrase of Laswell (1936) reversing his politics conception of “who gets what, when and how” into a version to policy dismantling being “who gets less, when and how” (p.4). According to Bonolli (2012), governments tend to look for the ‘path of least resistance’, or any blame avoidance strategy that indicates to be politically save. The author indicates that in this situation the consequences of retrenchment tend to be on groups of people that are less likely to become veto players, on groups of people less politically organized, with less capacity to mobilized support on parliament as younger people in the field of pensions, as those who have in insecure labour market position, as immingrants, as all the most vulnerable segments of the society constituted by social minorities or dispersed as social category, far from the pressure groups and lobbyists (Bonolli 107; Palier, 103).

It means that in order to understand the adoption of policy dismantling, it is necessary to map under which political and institutional conditions it was possible, what are the strategies used, who will be affected, what is the extension “to which the costs and benefits of dismantling are distributed
across the effected actors, and what is the extension to which these actors are able to organize and mobilize for or against it.”

The New Fiscal Regime and its impacts

On August 31, 2016, Dilma Rousseff was thrown out of her office after a long investigative process of corruption. Rousseff was the Brazil’s first woman president and, in this time, the Brazilian Senate had temporarily removed her six months earlier to allow the impeachment trial. It ended 13 years of Workers’s Party (Partido dos Trabalhadores – PT) administrations. The Rousseff’s Impeachment was the pinnacle of a turmoil that started in 2013 when hundreds of thousands of Brazilians took the streets expressing their political and social dissatisfactions. The spontaneous movement started with no leader from any social movements or political parties and had no clear demand. In addition to this, it was possible to observe two other processes: first, the growth of the president's disapproval rates by public opinion polls, and second, the so-called Operation Carwash investigation where, during two years, prosecutors have uncovered a bribery scheme at the Petrobrás – the huge Brazilian oil company. The Operation Carwash basically has fighting against the corruption and money-laundering in Brazil’s political arena. It reached the biggest corruption scandal in Brazil’s recent history. All these factors triggered a political crisis.

With the Rousseff impeachment based on more than the two-thirds senators votes, Brazil’s presidency was occupied by her vice-president who, in this moment, was already the interim president, Michel Temer, from a centrist Brazilian Democratic Movement Party (PMDB). Important to note, that despite to be her vice-president, his party was at the centre of the impeachment crisis.

Immediately after took office, the Temer’s Administration put on the table a New Tax Regime. It was done by the Proposed Constitutional Amendment 55, so-called PEC 55, and formerly PEC 241. This New Fiscal Regime has the aim of imposing limits on the growth of the Federal government's primary expenditure over the long term. It frozen some part of financial expenditures, strongly social expenses. Essentially, it capped primary expenses of each power, which will have its base fixed in the amount of the expenses paid in 2016. More than that, it capped primary expenses of the three branches of government as well as the Public Prosecutor’s Office and the Public Defender’s Office (Article 101, p.1). It means that they will have its base fixed in the amount of the expenses paid in 2016 for the next 20 fiscal years, being adjusted only for inflation (Article 102 p.1-4) (Garcia, 2016). If the government fails to stay within these limits, it will be prohibited from hiring staff, running civil service entry examinations, raising staff pay, and creating or changing government jobs that incur additional costs.
But one could assume that such a huge change so-called New Tax Regime would have a proportionally difficulty to pass with a lot of veto players and institutional constraints. As a Constitutional Amendment (CA), in order to be approved is necessary three-fifths approval in two rounds of voting in the House of Representatives, and other two rounds of voting in the Senate. On October 11, 2016, the Chamber of Deputies approved the measure by 366 to 111 votes, and last than a month after that, in a second turn the Chamber approved it again by 359 to 116 votes. On November 29, 2016, by a margin of 61 to 14, the Senate approved the PCA, and, finally, fifteen days after, on December 13 it was definitively approved. It means that in less than three months, the Congress approved it at 13th December 2016, in both Houses. Let me highlight it: it passed in each house twice and obtained votes from more than three-fifths of both body’s congressmen. Even with 60% of Brazilians had expressed their disapproval by a poll from Datafolha polling institute (The Guardian) data. How was it possible?

While in times of economic and political stability times governments are often reluctant to retrench social expenditure as they offer electoral risks and are very unpopular (Pierson, 2001, 2004, 2006; Bonoli, 2012), what has been done by the Temer’s government is a real systemic retrenchment on social area. It is because the NFR does not affect the social expenditures in a short term but it means that, in some way, this actual government determined public policies to the next five administrations as far as it locked in their expenditures. It has been done in order to answer the economic and political pressure to reduce public deficits. In our attempt to understand the systemic retrenchment in social protection in Brazil, we focus our study on key factors: the timing, the change of the Office, and more specifically, the relationship between the government and the Legislative.

The NFR is the kind of policy dismantling that changes at the revenue side impacting future governments’ capability to create income. It facilitates to creep and to hide retrenchment because it is constraining future governments from making new spending decisions. It is what Pierson is calling systemic retrenchment because it alters the rules of the game and modifies the social policy system in the long run (Pierson, 1994:15). We can see it, clearly as a blame avoidance strategy.

But backing to the focus on this paper the question is how and what to extend it will impact on social protection? With this information about celling all government’s expenditures is possible

2 “Article 104: covers how non-compliance will be addressed which is largely through limiting the offending agencies ability to take actions, such as promotions, hiring more personnel, or financing programs, that would lead to an increase in expenses. Article 105: states that the “minimum applications in actions and services” for public health maintenance and development will be equal to the 2017 fiscal year expenditure. Article 106: establishes that the affects of the amendment will be enforced from 2018 to the last financial year of the new Tax Regime (2037) Article 107: states that the amendment does “not constitute an obligation [of] future payment by the Union” and does not
to understand that NTR is not a common reform in pension system or on healthcare system, but it will impact on social protection systemically. As presented in the introduction, in order to prove it I will show the NTR’s impact on healthcare, education, social assistance and social security.

Federal Constitution – 1988: the basis for expansion

In order to understand the NFR and its impacts, there is necessary, briefly, the understanding of how the Federal Constitution of 1988 ushered in terms of social protection, in order to observe some social improvements in recent years. In contrast with the Temer’s government proposal, the Federal Constitution of 1988 (FC88) recognized social protection as the state’s duty and brought a comprehensive social welfare system covering national policies, a remarkable position as a step from the military dictatorship to democracy in Brazil (Sátyro e Cunha, 2014). We could emphasize several changes in the social protection system. The Social Welfare System was created (Sistema de Seguridade Social) encompassing health, social security and social assistance.

First of all, there was the recognition of health as a universal right to be accessible to all citizens. It was the base to the building of the universal and free Unified Health System (UHS). Before the democratization, health was basically insurance, and it was based together with social security in the same ministry. After the FC88 health and social security were separated because the main political actors whom defended Public Health fought to create a specific bureaucracy to health, inasmuch as it was important to support its agenda. A huge process of decentralization of this policy has been developed, and the federal government has coordinated the process of subnational state capacity to offer the services (REFERENCIA). However, the budget to health was always the Achilles heel of the UHS. After a decade, there was a political debate including politicians, academic communities, pressure groups from private and public sectors, healthcare bureaucrats, and bureaucrats from different levels of governments. It produced the Constitutional Amendment 29/2000 (CA29) which links resources to public health activities and services. It has made possible to the health system deals with 90’s financial crises. The CA29 determines a minimum value due to each of the federative entities; in this case, the Federal government should expend at least the value expended on the year before, plus 5% until 2004. After that it was the amount committed in the immediately preceding year, corrected for the nominal variation of the Gross Domestic Product.

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“revoke, dispense or suspend” its constitutional obligations that have “fiscal goals or expenditure ceilings.” Article 108: stipulates that any legislative proposal that moves to “create or alter” compulsory expenses must be accompanied by a budget and finance impact report. Article 109: adds to 108 by mandating a proposal that intends to increase expenses is to be suspended up to 20 days and be analyzed by a fifth of the House representatives for its compatibility with the New Tax Regime.”
(GDP). It means that if there is economic development, then we will have an increase of health expenditure. However, in 2015, there was a change in the method of calculating this minimum as required by the Federal government by the Constitutional Amendment 86/2015, it became the minimum application which being linked to a percentage of Net Current Revenue (RCL), in a staggered way, as follows: from 13 to 15.0% in 2020.

Aside from cap the social expenditure for 20 years, the NFR deregulates these institutionalized mechanisms and undermine the bases of actual Brazilian health policies. First it disconnected the expenditures from the Net Current Revenue going back to patterns of 90’s, before it has been introduced. Second, it imposed the lost of resources that were linkage stemming from CA29 and 86. Thirdly, it disclaimed the governments to allocate more resources in economic growth context. It will have a consequent reduction of health public expenditure per capita and it will degrade the Unified Health System. But the strategy of capping expenditures in a long term will hide retrenchment inasmuch as it constrains future governments from making new spending decisions (Vieira and Benevides, 2016); an explicit de-regulation case.

A very systematic study about the PEC55’s impact on federal health expenditures was done by Vieira and Benevides (2016). They showed us the trajectory of health expenditure since 2003, and they did some simulations to the future according with the rules’s PEC. The health expenditure as a percentage of the GDP started as 1.58% in 2003, fluctuating across the years, reaching 1.75% in 2009 and 1.69% in 2015 as a function of the CA29/2000. Their simulations show us that if the PEC55 had started since 2003, the health expenditure should be systematically decreased from 1.75% to 1.01% in 2015; it means minus 40%. Vieira and Benevides (2016) also projected the UHS from the federal expenditures simulating different ways to calculate it. In any of them, they observed a decrease that varies from minus 10,10% of the GDP investment in 2016 (0.17 pp) on the best possibility, to minus 50,10% of the actual investment (0.81pp) on the worst case. These options are the consequence of the room to manoeuvre given the PEC55 (Vieira and Benevides, 2016). By the end, the health expenditure per capita also will have a huge decrease on any rule of calculation, with a value varying between minus 10% to 50% of the cases in comparation with the previous rule. As the cuts will be scattered across the time, it is clearly blame avoidance through de-regulation and capping revenue.

Secondly, since the Federal Constitution innovates including social assistance as part of the social welfare system, it means that for the first time, the social assistance was recognized as a public policy, and changed the historical perspective of charity and philanthropy. The poor now are recognized as citizens with rights to social protection, independently of their capacity of contribution. The Magna Carta also brought the perception that the elderly and the disabled people
with low income and those unable to work need to be protected by the State. It created the new solidarity benefit – named Continuous Cash Benefit – CCB (Benefício de Prestação Continuada) – independent from making previous contributions; its value was prescribed to be attached to minimum wage. Finally, it is important to stress that the FC88 imposed that the basic benefits of social security and Continuous Cash Benefit should not be smaller than the minimum salary; that is because of the historical learning process when benefits were strongly devalued face hyper-inflation and, actually, did not protect beneficiaries from poverty and hunger (Brasil 1988, Jaccoud 2005, Sátyro and Cunha 2014).

The CCB was launched in 1996 under Cardoso administration. Cardoso also launched the national conditional cash transfers divided into small programs with many families with more than one benefit and the most part of the poor without any of them. However, even here, the social assistance was characterized as fragmented programs. It was under PT administration that it changed, firstly because of the aggregation of the several small programs into Family Grant Program with a different proposal about coverage. In 2005, the Ministry of Social Development and Fight against Hunger (MDS) implemented the Single System of Social Assistance (SSSA) to offer to the poor population social-assistance services. The 2015 SSSA Census reports 8,155 Social Welfare Reference Centers (Centros de Referência da Assistência Social - CRAS) in 5,394 municipalities with 91,965 workers, 2,435 Specialized Social Welfare Reference Centers (Centros de Referência Especializados de Assistência Social - CREAS) with 22,288 workers, and 235 Homeless Population Service Centers (Centros de Atendimento à População de Rua - POP Centers) centers with 3,108 workers (Sátyro e Cunha, 2014, 2017).

Although these entire infrastructure to social-assistance services that has been offered, it was the conditional cash transfer, Family Grant Program, that became famous. It reaches today almost 14 million families, more than 52 million people, with an international recognition of its impact on poverty and income inequality. Conversely, too little is know is that the bigest part of the Ministry budget is directed to the Continuous Cash Benefit. In 2016 it was registered 4.5 million of individuals benefits. Its weight is because its benefit value is linked to minimum wage, as said. According to Paiva et all (2016) the CCB shared of the MDS budget between 2006 to 2016 was around 55% reaching 57,4% on 2016, in contrast with PBF with 35,8% of the total expenditure of the MDS, remaining 6,7% to social-assistance services and other actions.

Paiva at al (2016) strongly suggested by means of projection of MDS expenditures to next 20 years, that the MDS budget as percentage of GDP would decrease 46% from 1,52% as a projection based on the previous rules to 0,70% (2036) using the PEC55 rules. It is important to highlight that among theses transfers and services, the CCB is the only one that is constitutionally backed. It means
that face budget constraints the other actions will suffer retrenches firstly. It means that the social services will be undermined. The municipalities have not enough fiscal capacity to deal with social assistance services, equipment and street level bureaucracies by themselves. We can see the strategy studied by Pierson when he said “where there is no money there can be no programs” indicating that an effective way to do a systemic retrenchment is constraining the revenues.3

As is knew, in spite of the NHS, Brazil national health system is a mix, people that are on the formal market and the middle class in general appeal to the health care insurance plans, and rest of the population uses the NHS, mostly poor people. This way, we can observe considering the disperse target of the two policies (health and social assistance) they will not affect the organized groups from the formal market, that have social security guarantees and that have more capacity to press governments. In respect to who will lose out, the target are the poorest Brazilians, it means a diffuse target, the less organised social actors with no capacity to fight back.

Thirdly, adding to all this, we need to highlight also that the FC88 established compulsory primary education for all children and adolescents between 7 and 14 years old, it was reached under Cardoso’ administration. During Lula’s administration the age bracket was amplified (to 4 to 17) and more budget was invested on it. Regarding educational policies, we know that “the Constitution established that, annually, the Federal Government shall apply to Education Maintenance and Development expenses, at least 18% of net tax revenue (tax revenue deducted from constitutional transfers to States and Municipalities ).”

Medlovitz (2016) showed that if we would apply the PEC’s rule to the previous years, the difference between the real amount applied with the previous rules and the PEC’s rule would vary between minus 4% to minus 18% depending of the year (2011 to 2016). The differences between the expenditures that had really occurred to those would be if we would apply the PEC’s rule. The author also did the projection to the following years and the results showed even worse situation than that: the amount in billions could be less 0,6 on 2018 to less 17,1 billions on 2025 (Mendelovitz, 2016:4).

Fourthly, it is important to analyse the social security. The Carta Magna brought two crucial changes to this area, first, the unemployment insurance became a right for contributors, and secondly it allows partially-contributory Rural Social Security. It means that was inserted a solidarity principle on the insurance system because there was a recognition of the right of social protection to those

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3 However, the changes on the CCB are not yet done but they are planned under an other Constitutional Amendment that deal specifically with the social security. The plan is unconstitutionalize, untie from the minimum wage, decrease the value to half, back to previous situation.
farm hands that produce in the regime of family economy, without use of salaried labour. It has showed a huge redistributive impact. Those who work on this kind of regime, the monetary contribution is very hard because they have a seasonal work. The Magna Carta also stipulated that different benefits could not be assigned to the same category such as rural and urban, and to men and women. As the FC had stipulated the minimum wage as the basic social benefit, it means that everyone needs to receive at least a minimum wage of benefit.

The NFR’s impact on social security and pensions is not clear, the simulations and projections to social security are more difficult. First, because its insurance and contractual nature has safety in contrast with other social policies. It can not be cut in a same way, and it has a lot of pressure groups that are aware about their rights and have real mobilization capacity not lonely form the unions but also inside the Parliament. Then, to understand the impact of this New Fiscal Regime on social protection we need to understand how is the size of the social security spending impacts the percentage of the total expenditure in respect to the total social spending. It means that, capping the social expenditure in general, we will see that in a near future will be no space for other social policies. However, Temer’s government has a plan to it, the Constitutional Amendment of Pension reform (PEC 278/2016). Basically, it sets a minimum age of retirement at 65 years. Those who enter the legal labour market at 16 (or less), would work 49 years in order to have the integral retirement, in a country where the life expectancy is 67 years in the poor regions. Ending the entitlement of Brazil’s million rural workers to age-related pensions even without contributions having been made during their working years. The Continuous Cash Benefit will be untied from minimum wage (in spite of it being assistance, it has been administrated by the National Institute of Social Security (INSS). Finally, set up the same age of retirement to men and women without consider that not only the domestic services but all long-term care, child care remain deeply as an unpaid work of women is to re-enforce the gender inequality and the female poverty. But, it has not been voted yet and the political circumstances have been changed in the last months. Here, the chances of approval are less clear exactly because of the pressure groups and the organized labours.

Finally, in the same direction of the NFR, the bill (PL) 4,302 of 1998, started in the Cardoso government, was approved on March 22, 2017 by the House of Representatives with 231 votes pros, 188 cons, and 8 abstentions, now needing only the presidential approval. Basically, it changes the existing legislation regarding outsourcing. Until that date, the law allowed outsourcing only in the activities-middle of a company, for example, an university or school could outsource cleaning, garbage collection, infrastructure, etc., but not teachers. By the contrast, now, they can outsource the professors because the approved project allows any company of any nature to outsource its activities-ends. A recent longitudinal study of the characteristics and consequences of the working conditions
and the remuneration of outsourced economic activities, compared to those that are not outsourced (Dieese, 2017), shows that there are more accidents at work in outsourced activities, the workday is higher and the average wage is 23.4% lower. The results showed that the salaries of outsourced workers in regions outside the Southeast are smaller, reinforcing regional inequalities. The data showed the potential for high instability, precarious labour conditions and short-term contracts with less social protection (Dieese, 2017).

We can infer from these information that the NFR is a policy dismantling, more than that, it is a systemic retrenchment of social protection. We can see how it changed the regulation structures of the health policy, for instance. But the main strategy here was the blame avoidance inasmuch as the NFR constrained government revenue by the next 20 years by capping the amount of money. Of course, medium people will not understand immediately the gravity of the cuts but, as time goes by, will have less amount of money to all social policies, again, as said Pierson “where there is no money there can be no programs”. We can affirm that the NFR affect the social policy in the its dimensions of density and intensity, that is why we defend the term: systemic retrenchment as a direct consequence of the NFR.

Why was possible to implement such systemic retrenchment?

First of all, in order to understand our analysed phenomenon is mandatory to understand the characteristics of the Brazilian political system, on one hand, the FC88 gave presidents strong proactive and reactive powers, it means that the presidents have sweeping constitutional powers, and on another hand, the party system is highly fragmented, then it always will be necessary to build a coalition to government, even informal one. In other words, the presidents need to build cross-party coalitions because their parties always control a minority of seats. This way, we can affirm that one of the strongest characteristics of the Brazilian political system is the presidentialism of coalition (Shugart and Mainwaring; Mainwaring). Even with all this power, the Executive president needs to be closely related with the Legislature.

Secondly, it is important to think about our phenomenon timing. The timing of active dismantling is a function of a series of necessaries conditions of different nature. The Dilma’s impeachment broke the institutional and political equilibrium of the political arena in Brazil. It created the fertile soil to the systemic retrenchment. Schmitt help us to do the right questions in order to explain a systemic retrenchment, he said: “the first analytical question regards the country-specific timing of reforms and the choice of dismantling strategies.” Beyond that Schmitt stated a second question: “what are the precise triggers for policy dismantling in this case?” it means, “what is the
relevant country-specific breakpoint that leads to the reversal of the policy path from expansion to active dismantling?” (Schmitt, pag:65).

Thirdly, the Dilma’s impeachment changed the Executive ideology and, drastically, changed the power balance of the Brazilian political arena. Firstly, as said, the impeachment replaced the Workers’s Party administration to a right-wing coalition. It means that even if the vice-president had took office, the coalition to thrown out of the elected president was clearly more to the right of the ideological spectrum.

Power and Rodrigues-Silveira (2017) showed the difference and the distance between the ideology of the president entrants, the seat composition of the national Chamber of Deputies, and the municipalities between 1994 and 2014. Although the focus of their research is on the municipalities’ ideology, they proved graphically that all PT’s administration around was an equilibrium between a left-wing Executive, and a Legislature more right-wing, more conservative. In spite of Power and Rodrigues-Silveira (2017) affirmed that “over time, the left-wing PT moderated its ideology and became much closer to the national average” it always kept more left than the Chamber, and the PMDB always acted as Brazil’s pivotal party. We argue that the impeachment did change this composition bringing a extremely conservative composition back to previous times before PT’s administration, as Power and Rodrigues-Silveira showed us graphically.

When a legitimate government is thrown out of office because of corruption it is expected that the replacement will move away from corruption and follow the political project that won the national elections. However, contrary to these expectations, the new government has set out an opposing agenda, which brings us to a very central aspect of our debate. Normally, politicians are afraid of welfare retrenchment, first of all, because of the electoral cost, the fear of punishment. But, in this case, the government was not elected; thus this kind of cost would be lower. In addition, some authors have shown that right-wing government parties can even benefit electorally from welfare state retrenchment (Giger and Nelson, 2011, Klitgaard, 2014). According to Klitgaard (2014), such a strategy is consistent with their general preferences and they have the option to claim the credit for a strategy which faces the economic crisis. It is important to say that in addition to the political crisis, the country was also experiencing a huge economic crisis, a real recession, a suitable arena in which to claim credit for austerity policies. In such an arena, left-wing governments should be punished more than right-wing parties (Giger and Nelson, 2011; Schumacher et al., 2013; Elmelund 2015).

**Final considerations**

The present paper explores a recent institutional change in the policy arena in Brazil, the New Fiscal Regime, and its impacts on social policies. We have shown that this NFR implemented by
Temer’s government is a dismantling policies that brings a systemic retrenchment of social protection because it strongly constrains the social budget for the next 20 years. Expenditures are based on the 2016 level, and in the case of healthcare, now, is uncoupled from economic growth. The federal budget is capped for the next 5 administrations. This means that although they could claim credit for austerity policies facing an economic and fiscal crisis, the main strategy used was blame avoidance. Thus the losses will be diffused over time, and will spread to all policies, showing the density and the intensity of this reform. This is compatible with the general pattern identified in the analysis of the dismantling policy and is supported by the results of Klitgaard et al (2014). In our case study we reinforced their findings: “right-wing governments pursue welfare state retrenchment in an indirect manner by reducing the public revenue”.

Our work has helped us to understand the timing and conjunction of factors that trigger such dismantling policies in the Brazilian case. Understanding that on the presidentialism of coalition we need a coalition, the main characteristic of the political system in Brazil, is central for the analysis. This means that the president is powerful but he or she really needs to have a close relation with the parliament. The analysis also showed clearly how Dilma’s impeachment changed the balance of power between Executive and Legislative; it brought a conservative government coalition to face an even more right-wing Congress. In this way, we also revealed that partisan ideology matters for this type of policy reform (Cusack and Beramendi, 2006; Swank, 2006). Second, we argued that a president who is not elected brings with him less electoral cost when implementing social retrenchment policies. It is important to realize that Temer himself had no more than a 1% voting in the pools before the presidential elections, and more important, he is legally prevented from being a candidate in the next election. This means that he was not worried about electoral risk, he did not have the same fear of electoral punishment, as would an elected president.

Finally, we strongly confirmed Bonolli (2012)’s statement that governments tend to transfer the cost on to groups of people who are less politically organized. We can infer that the New Fiscal Regime stops directly the redistributive process that was on course in Brazil because it dismantles all the mechanisms developed in the Federal Constitution. In addition, the NFR affects poor people, disproportionately as they have the most precarious and informal relations with the market, and are necessarily the less organized groups.
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