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Armando Barrientos

## **Does a general theory of welfare institutions explain the expansion of social assistance in low and middle income countries?**

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Does a general theory of  
welfare institutions explain  
the expansion of social  
assistance in low and  
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No. 1

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# ABSTRACT

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What theory can help us to explain the expansion of social assistance in low and middle income countries? Prevailing theories of welfare institutions, including power resources and varieties of capitalism, were developed to study the welfare institutions that emerged among early industrialisers. The paper revisits these theories with a view to identifying elements of general applicability to the study of emerging social assistance in late industrialisers. Two hypotheses on the growth of social assistance are tested using panel data for 2000-2015 and a within-between mixed estimation model. The results suggest a general theory of welfare institutions is capable of throwing light on emergent welfare institutions in low and middle income countries, while highlighting important gaps.

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## ZUSAMMENFASSUNG

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Welche Theorie kann uns dabei helfen, die Expansion von Sozialhilfe in Ländern mit niedrigem und mittlerem Einkommen zu erklären? Vorherrschende Theorien zu wohlfahrtsstaatlichen Institutionen, unter ihnen der Machtressourcenansatz und der Varieties of Capitalism-Ansatz, wurden entwickelt, um die Entstehung von wohlfahrtsstaatlichen Institutionen in frühindustrialisierten Ländern zu analysieren. In diesem Beitrag werden generelle Elemente dieser Theorien identifiziert, die auf die Entstehung von Sozialhilfe in spätindustrialisierten Ländern angewendet werden können. Zwei Hypothesen zum Wachstum von Sozialhilfe werden mit Paneldaten für die Jahre 2000-2015 und einem *within-between mixed estimation model* getestet. Die Ergebnisse deuten darauf hin, dass eine generelle Theorie wohlfahrtsstaatlicher Institutionen Aufschluss über entstehende wohlfahrtsstaatliche Institutionen in Ländern mit niedrigem und mittlerem Einkommen geben kann, es aber weiterhin zentrale Leerstellen gibt.



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## INTRODUCTION

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Low and middle income countries have experienced a large expansion of social assistance provision in the 21st century (Barrientos, 2013). In terms of reach, social assistance programmes are now the largest component of social protection in low and middle income countries (World Bank, 2015, 2016). Among pioneer countries, social assistance programmes have evolved as an institutional framework responsible for poverty reduction and eradication through guaranteed support and entitlements. Social assistance will have a strong, maybe dominant, role in the welfare institutions emerging in low and middle income countries.<sup>1</sup> Drawing on prevailing theories of welfare institutions and a comprehensive dataset of social assistance in low and middle income countries,<sup>2</sup> the paper evaluates theory-based explanations for the expansion of social assistance.

Prevailing theories explaining the development of welfare institutions emerged from research on early industrialisers' welfare state formation. They argue that the emergence of welfare states is primarily explained by the stratification generated by capitalism. Two such theories will figure prominently in the analysis below. The Power Resources approach (PRA) (Esping-Andersen, 1990; Korpi, 1980; Korpi & Palme, 1998) argues that welfare states emerge from a 'democratic class struggle' in which broad coalitions led by workers' organisations and parties successfully push for social policies addressing common 'social risks' associated with the workings of capitalism. 'Social risks' stratify the population into economic classes encouraging collective action. The Varieties of

Capitalism approach (VoC) (Hall & Soskice, 2001; Iversen & Soskice, 2001) argues that welfare states are a response to the risks associated with human capital asset accumulation under capitalism. Welfare institutions facilitate the acquisition and protection of skills. The primary role of welfare institutions is to support workers' and employers' investment in 'specific human capital' and protect this investment when placed at risk by demand fluctuations and/or structural change. As will be discussed in more detail below, the central focus on risk stratification shared by the Power Resources and Varieties of Capitalism approaches has the implication that social insurance plays a dominant institutional role.

At first sight, the recent expansion of social assistance provides a challenge for prevailing theories. Welfare institutions in low and middle income countries are not unitary but mostly dual. Social insurance institutions, where present, reach a fraction of the labour force and population (ILO, 2017). Emergent institutions in low and middle income countries are built around social assistance rather than social insurance. To the extent that social assistance programmes in low and middle income countries facilitate social investment, it is investment in general, as opposed to specific, skills. The expansion of social assistance in low and middle income countries and their dual welfare institutions represent significant anomalies for prevailing theories of welfare state formation.

Faced with these anomalies, some researchers have argued that welfare state theories have limited applicability in low and middle income countries, with the implication that researchers aiming to study late industrialisers should consider developing alternative theories. The discussion in the paper rejects this proposition. It argues that while the Power Resources and Varieties of Capitalism approaches were developed explicitly to study welfare institutions in early industrialisers, and to this extent they are special theories of welfare institutions, further

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1 I use the term welfare institutions to describe institutions charged with ensuring acceptable levels of welfare among a country's population. Early industrialisers use the term welfare state, a particular form of welfare institutions.

2 The Social Assistance in Low and Middle Income Countries (SALMIC) dataset is available from <http://www.social-assistance.manchester.ac.uk>.

analysis can rescue elements of a general theory capable of throwing light upon emergent welfare institutions in low and middle income countries. The general elements of prevailing theories of welfare institutions predict dual welfare institutions with social assistance playing a significant role in supporting low income and disadvantaged groups.

Having extracted the elements of a general theory of welfare institutions, the analysis in the paper identifies testable hypotheses on causal factors leading to the expansion of social assistance and to dual welfare institutions. The paper adopts a 'cause of effects' methodological approach (Gelman & Imbens, 2013). It identifies anomalies in prevailing theories of the development of welfare institutions, shows how a more general theory would explain the expansion of social assistance and derives testable hypotheses to be checked against relevant data. Social assistance panel data comes from the Social Assistance in Low and Middle Income Countries dataset SALMIC and country level data on political institutions and economic development.

The rest of the paper is divided into three main sections. Section 1 revisits prevailing theories of welfare institutions with a view to extracting elements of a 'general' theory and formulating relevant hypotheses. The following section presents the data and estimation models. The section after that presents the main results and discusses their implications. A final section concludes.

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## 1. A GENERAL THEORY OF WELFARE INSTITUTIONS?

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Prevailing theories of welfare institutions emerged from the study of early industrialisers (Castles, Leibfried, Lewis, Obinger, & Pierson, 2010). They focused on theorising welfare states, representing the expansion of public provision of basic services and social protection in the post-World War II period. Esping-Andersen (1987, 1990) broadened

the focus to welfare regimes, the configuration of societal institutions producing welfare, including markets and families.

Rapid economic development and emergent welfare institutions in low and middle income countries raise the question whether theories of welfare institutions developed for early industrialisers could be productively applied to late industrialisers. This is contested in the literature both from researchers focused on early and on late industrialisers. Researchers point to contrasting conditions in early and late industrialisers precluding a general theory (Gough and Wood 2004). Gough (2004), recently restated in Gough and Therborn (2010), for example argues that the presence of underdeveloped forms of capitalism in the global South necessitates a radically different conceptual framework. Others argue that imperfect democratic institutions in late industrialisers preclude the application of welfare state theory there. Efforts to apply welfare regime analysis outside early industrialisers have thrown significant anomalies (Barrientos, 2009).

The analysis in the paper argues a general theory of welfare institutions is feasible. A core challenge is to separate out general from specific elements in prevailing theories of welfare institutions. The analysis in the paper identifies general elements in prevailing theories of welfare institutions and tests whether they throw light on the expansion of social assistance in low and middle income countries.

As scholarship on welfare states in early industrialisers is vast and varied, parsimony is required. In the paper we will focus on two prevailing theories, the Power Resources approach and the Varieties of Capitalism approach.<sup>3</sup> They provide an actor-centred perspective and a rational-choice institutional perspective respectively that are most commonly applied in the comparative literature in welfare institutions in early industrialisers.<sup>4</sup>

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3 Korpi (2006) and Iversen and Soskice (2015b) contain recent re-statements.

4 I am grateful to a reviewer for suggesting this.

The Power Resources approach developed by Korpi argues that welfare institutions under capitalism are explained by a 'democratic class struggle' in which broad coalitions led by workers' organisations and parties successfully push for social policies addressing common social 'risks'. Social and economic stratification arises from the distribution of 'social risks' associated with demographic, life course, and employment factors (Esping-Andersen, 1999; Korpi, 2006). Shared risk patterns, inversely correlated with power, lead to workers' collective action in support of protective welfare institutions. Partially overlapping risk patterns across workers and the middle class create the conditions for broader coalitions supporting comprehensive welfare states.<sup>5</sup>

The Varieties of Capitalism approach explains welfare institutions on the basis of the distribution of human capital assets and the 'risks' associated with human capital asset accumulation – skills for short (Hall & Soskice, 2001; Iversen & Soskice, 2001). A core distinction is made between general skills and specific skills. General skills improve the productivity of workers in employment across economic sectors. Specific skills improve productivity only under particular conditions. This is because they require complementary technology or workers to generate improvements in productivity. Investment in specific skills is therefore riskier than investment in general assets. Employers in sectors requiring specific skills have an interest in supporting such investment, but workers might be constrained in investing in specific skills because of the associated risks. Demand for

government support for skill accumulation and for mitigation of associated risks explains welfare institutions.<sup>6</sup>

The Power Resources and the Varieties of Capitalism approaches share some core features. First, in both approaches 'risks' have a central role in economic and social stratification. In the Power Resources approach the focus is on 'social risks' such as unemployment, sickness, old age and child bearing. These stratify the population into well-defined economic groups leading to partisan groupings and coalitions (Korpi, 2006). Classes are risk-based. In the Varieties of Capitalism approach, asset specificity risks, and by extension the reduced risk profile of generic assets, generate stratification. Second, the stratification generated by social/asset specificity risks opens up avenues for collective action and politics. Third, the central role of 'risks' in supporting stratification and collective action bestows insurance with a primary institutional role in welfare institutions.<sup>7</sup> Welfare institutions are first and foremost insurance institutions, seeking to mitigate the 'risks' associated with capitalism. Fourth, in the two approaches welfare institutions are assumed to be unitary, in the sense that insurance institutions cover the population comprehensively.

The welfare institutions predicted by these two theories stand in sharp contrast to the welfare institutions now emerging in low and middle income countries. In the latter, and in the new century, institutional development has focused primarily on social assistance not on social insurance. This is true even in countries with developed, and longstanding, social insurance institutions. Social assistance instruments are not primarily oriented

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5 The power resources approach "...argued that because of the differences in the ways that socio-economic class is related to types of power resources controlled by citizens as well as to patterns of life-course risks among individuals differently positioned within socio-economic structures, welfare state development is likely to reflect class-related distributive conflict and partisan politics... These splits tend to generate interactions between class, life-course risks, and resources"(Korpi, 2006, p. 168).

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6 The Power Resources and, especially, the VoC approaches are considerably richer and more encompassing than their brief treatment in the paper would indicate. The aim in this paper is not to provide a full review, but to help motivate key hypotheses on the expansion of social assistance.

7 "...once risks are pooled, the individual faces uncertainty no longer alone but as part of a larger group"(Baldwin, 1990, p. 2).

to address risk, but instead to redistribute income and productive assets to disadvantaged groups. They are not employment-based. Where social assistance instruments support the accumulation of human capital assets, as in conditional income transfers, their focus is on general skills as opposed to specific skills. And in terms of overall institutional structures, and in contrast to the experience of early industrialisers, the expansion of social assistance in low and middle income countries has resulted in dual welfare institutions, with social insurance covering workers in formal employment and social assistance supporting population groups dependent on informal employment.

Emergent welfare institutions in low and middle income countries raise significant anomalies for prevailing theories of welfare institutional development, with the implication that they might have little to offer researchers interested in explaining institutional development in the South. From a research perspective, this is unsatisfactory because a hard divide between theories applicable to early industrialisers and theories applicable to late industrialisers moves us away from a general theory of welfare institutions. The alternative approach we follow in this paper is to dig deeper within prevailing theories to identify elements of a general theory.

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### 1.1 Unitary welfare institutions are a specific case

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The Power Resources approach gives primacy to social investment and social insurance as the main welfare instruments in social democratic welfare institutions. Comprehensive social insurance makes social assistance unnecessary, even counterproductive. In *The paradox of redistribution*, Korpi and Palme (1998) argue that social assistance undermines the sustainability of support coalitions. In their view the "...targeted model creates a zero sum conflict of interests between the poor and the better off workers and the middle class who must pay for the benefits of the

poor without receiving any benefits...[targeting] drives a wedge between the short-term interests of the poor and those of the rest of the population", instead universalism "brings low income groups into the same institutional structures [supporting] the formation of cross-class coalitions" (Korpi & Palme, 1998, pp. 672; 682). The extension of social insurance to the majority of the population limits the scope for social assistance and precludes challenges to the support coalition. The inclusion of disadvantaged groups reflects a trickle down effect resulting from the strength of (unitary) social insurance. It also works as a reinforcing mechanism.<sup>8</sup>

Further examination of prevailing theories suggests unitary welfare institutions in social democratic welfare states and stratified welfare institutions in conservative welfare states constitute special cases of a more general theory.

Prevailing theories of welfare institutions share the view that the specificity of welfare institutions is explained by the nature of support coalitions, with the middle class playing a deciding role (Esping-Andersen, 1990; van Kersbergen & Vis, 2014). Liberal welfare institutions represent the general case where the absence of favourable conditions for cross-class coalitions results in dual welfare institutions reflecting the core labour-capital conflict. Esping-Andersen emphasises this point. "Anglo-Saxon nations retained the residual welfare-state model precisely because the new middle classes were not wooed from the market to the state. In class terms, the consequence is dualism. The welfare state caters essentially to the working class and the poor. Private insurance and occupational fringe benefits cater to the middle classes" (Esping-Andersen, 1990, p. 31). Dual institutions, social assistance and employment-related insurance, are the general case

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<sup>8</sup> But see recent empirical research on the empirical validity of this claim (Brady & Bostic, 2010; Jacques & Noël, 2018; Marx, Salanauskaitė, & Verbist, 2013), with implications for the role of social assistance.

where the labour-capital cleavage applies. Manow (2009) develops this point further.<sup>9</sup> The presence of important societal cleavages, overlapping the dominant labour-capital cleavage, creates the conditions for cross-class coalitions. The rural urban cleavage in Nordic countries, or the state-church cleavage in continental Europe sitting on top of the labour capital-cleavage shifts welfare institutions away from the liberal basic model.

In the Varieties of Capitalism approach, unitary welfare institutions are explained by the nature of the production regime. The integration of workers with only general skills into social insurance institutions is a consequence of Fordist production, in which ‘just in time’ production techniques link the employment of workers with specific and general skills into continuous production processes. The productivity of workers with specific skills now requires the active cooperation of workers with general skills, facilitating an extension of protective institutions to the latter. Fordist production creates the conditions for comprehensive welfare institutions built around social insurance,<sup>10</sup> thus making social assistance unnecessary and residual.

The breakdown of Fordist production systems reverts welfare institutions back to dual structures (Iversen & Soskice, 2015a). Workers in specific skills intensive sectors continue to benefit from publicly supported incentives for specific skill accumulation and protection against adverse demand or technological change. But now access to these welfare institutions for workers in general skill intensive sectors is not guaranteed. Dual production regimes are likely to result in dual welfare institutions with social insurance institutions for workers in specific skill intensive sectors and social assistance for workers in general skill intensive sectors. The breakdown of Fordist production reverts unitary welfare institutions

back to the general case: dual welfare institutions.

Iversen and Soskice describe dual welfare institutions in more detail: “the combined effects of new production technology and deindustrialization has been a divergence in unemployment security and income between core and peripheral workers” (Iversen & Soskice, 2015b, p. 78). In their account, welfare institutions supporting the advanced sector find strong support from governments. This is because all governments are assumed to have economic growth and productivity as their main objective. “Policies towards the advanced sectors are non-partisan, and these policies include key aspects of the welfare state” (Iversen & Soskice, 2015b, p. 81). On the other hand, “...redistribution towards the vulnerable sector does not involve the institutional framework that supports the advanced sector...those aspects of the welfare state relevant to advanced capitalism (its insurance but not redistributive function)” (Iversen & Soskice, 2015b, p. 79).<sup>11</sup> In the vulnerable sector, redistribution depends on the power and influence that parties representing the relevant groups can exercise on governing coalitions. Political regimes become crucial. Proportional representation political regimes open up the possibility that parties representing vulnerable workers could influence ruling coalitions. In contrast, majoritarian political regimes, where centre-right coalitions are more likely, will prove harder to influence for vulnerable groups.<sup>12</sup> Redistribution to groups

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9 Manow’s (2009) argument combines the power resources emphasis on class conflict with the Varieties of Capitalism emphasis on the political regime.

10 Industrial relations are important, too.

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11 The relative neglect of workers in the vulnerable sector is explained by their employment in non-tradeable sectors of the economy. “But redistribution, and in general the protection of workers in the vulnerable sector, is not part of the institutional framework of advanced capitalism. Because these markets tend to be concentrated in non-traded, low productivity services, globalization has affected them little” (Iversen & Soskice, 2015b, p. 79). This might not apply in full to low income and informal workers who are employed in large numbers in export commodity sectors in low and middle income countries.

12 “Confronted with a choice between a centre-left and a centre-right party, the middle class more

associated with the vulnerable sector is more likely in the context of proportional representation regimes.

In sum, revisiting prevailing theories of welfare institutions with a view to distinguishing between general and specific elements finds that the social democratic and the stratified conservative welfare states are special cases of the liberal welfare state. The dominant conflict between labour and capital defining welfare institutions in the latter, is supplemented by town-country and state-church cleavages respectively in the former, giving rise to their distinctive welfare institutions. The unitary nature of welfare institutions in the social democratic and conservative welfare states is also found to be special cases of dual welfare institutions that characterise the liberal core. Trickle down effects from large scale social insurance in the Power Resources approach and Fordist production in the Varieties of Capitalism approach explain unitary institutions as a consequence of particular conditions. In the Varieties of Capitalism approach, the breakdown of a Fordist production regime effectively reverts welfare institutions back to their dualist core. The general elements of prevailing theories of welfare institutions predict dual welfare institutions with social assistance playing a significant role in supporting low income and disadvantage groups.

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## 1.2 Redistribution, microfoundations and politics

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The primacy of social insurance in the unitary version of the two approaches has important implications for microfoundations and politics. The dominance of social insurance in unitary welfare institutions implies by exten-

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often votes right rather than left, fearing a left government will exclusively cater to the interests of the lower classes. In such a two-party system, there is mainly one societal cleavage present, namely the one dominant in all advanced industrial countries, the left-right or labour-capital cleavage" (Manow, 2009, p. 106).

sion a residual role for social assistance. It privileges horizontal redistribution over vertical redistribution. Horizontal redistribution applies to the capacity of welfare institutions to redistribute from good states to bad states across the life course, or within particular risk categories. Vertical redistribution describes redistribution from the better off to the worse off, or as commonly described from rich to the poor.<sup>13</sup>

In the Power Resources and Varieties of Capitalism approaches, horizontal redistribution overrides vertical redistribution as the dominant objective of welfare institutions. In social democratic welfare institutions, low income groups are integrated within social insurance institutions even in conditions where they are unable to contribute a premium. Under Fordist production regime conditions, workers with general skills are integrated within social insurance because of their contribution to the productivity of workers with specific skills.

This has implications for microfoundations.<sup>14</sup> The self-interest of participants is the primary motivation for participation in social insurance.<sup>15</sup> Ex ante, incentives for participation derive from the likelihood of bad states

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13 "[D]espite common assumptions to the contrary, the welfare state does not, therefore, first and foremost safeguard the interests of the poor as poor. Within social insurance, redistribution does not primarily take place vertically between classes...but horizontally over the lifespan of the individual and, in cross-section at any given moment, between risk categories (from healthy to sick, young to old, ambulatory to disabled, working to unemployed) that only secondarily and partially overlap with social groups defined in other terms" (Baldwin, 1990, p. 19). See also Esping-Andersen and Myles (2009).

14 Microfoundations refer to the "...assumptions on the level of individuals from which to generate hypotheses on the relevance of class and class-related partisan politics in the development of welfare states and production regimes" (Korpi, 2006, p. 171).

15 Self-interest and risk pooling figure prominently in the literature in microfoundations (Baldwin, 1990; Iversen & Soskice, 2001; Moene & Wallerstein, 2001; Rehm, 2011).

of the world, whether from the materialisation of 'social risks' or the effect of unanticipated demand and technological change on specific skills. Financed through contributions by workers and their employers, social insurance compensates workers and their dependents in the event that bad risks materialise. Stratification by risk profile ensures the sustainability of insurance schemes.

The residual role of social assistance in the special unitary cases – social democracy and Fordism – is helpful in simplifying the theoretical linkages existing between risk stratification, political competition, and social insurance. In fact, supplementing self-interest with alternative motivations, such as solidarity or social identification, is subversive of the core microfoundations of social insurance.<sup>16</sup> The microfoundations of rules-based social assistance are unlikely to be found in self-interest, especially as disadvantage is seldom randomly distributed.<sup>17</sup> And the politics of social assistance cannot be fully understood as a side issue, or a simple extension, of the politics of risk-based stratification. Korpi and Palme (1998) acknowledge this point in *The Paradox of Redistribution* cited above.<sup>18</sup>

Focusing on the general elements of prevailing theories opens up for scrutiny the issue of microfoundations. The Power Resources and Varieties of Capitalism approaches discuss in some detail the micro-

foundations and politics of social insurance, but they are sketchy, at best, on the potential microfoundations and politics of social assistance. In the Power Resources approach, social assistance provision depends solely on the capacity of left parties to tax the rich and the middle classes, in order to support explicit redistribution to low income groups. In the Varieties of Capitalism approach, support to population groups engaged in the vulnerable sector of the dual economy depends on the power and influence of the parties that represent them. Their influence in turn depends on the incentives faced by governing coalitions to include representatives of workers in vulnerable sectors. The political regime matters a great deal. Under proportional representation, "there is an incentive for the middle-income party to ally with the low income party because the size of the pie to be divided rises with the wealth of those excluded from the coalition" (Iversen & Soskice, 2015b, p. 79). Majoritarian political regimes, and proportional representation regimes with cross-class parties, generate few incentives for the inclusion of parties representing workers in vulnerable sectors.

Iversen and Soskice raise the issue that workers with only general skills in the vulnerable sector might have low demand for social protection and a bias for market solutions because their skills are fully transferable. They note further that these workers might oppose employment regulation as they "might be hurt by such protection because low-end service jobs require flexibility in hiring and firing" (Iversen & Soskice, 2015a, p. 198).<sup>19</sup>

This discussion points to a crucial gap in prevailing theories' conceptualisation of vertical redistribution and social assistance.

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16 For a discussion of models incorporating altruism and group identity see Alt and Iversen (2016).

17 This is not to dismiss the role of self-interest, especially among elites, in welfare provision. Mares' and Carnes' (2009) review concluded that social insurance schemes in developing countries have been mainly introduced by authoritarian regimes facing the need to sustain their rule. Clientelistic social assistance in low and middle income countries is longstanding (Stokes, 2004). The issue for the paper is why would people vote for social assistance?

18 Because support for disadvantaged groups depends on a trickle down mechanism, researchers from this theoretical standpoint assume poverty reduction effectiveness is largely dependent on the generosity of welfare institutions (Brady, 2009, Chapter 5; Kenworthy, 2011, Chapter 11).

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19 The relative strength of employers and their political representatives are seldom discussed explicitly. In the context of social assistance in Latin America see Fairfield & Garay (2017).

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## 1.3 Hypotheses

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From the discussion in the last section it is possible to extract two main hypotheses associated respectively with the Power Resources and Varieties of Capitalism theories of welfare institutional development.

**H1 Power Resources hypothesis:** redistribution to disadvantaged groups is more likely under coalitions led by left parties.

**H2 Varieties of Capitalism hypothesis:** redistribution to the vulnerable sector is more likely under proportional representation than under majoritarian political regimes.

These hypotheses will help testing whether they throw light on the growth of social assistance in low and middle income countries. The next section describes data and estimation model. The section that follows presents and discusses the results.

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## 2. DATA AND ESTIMATION MODEL

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### 2.1 Data

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The two hypotheses will be tested using panel data for low and middle income countries covering the period 2000 to 2015. The core data on social assistance come from the Social Assistance in Low and Middle Income Countries (SALMIC) project. This project collected social assistance programme data for all low and middle income countries. It is an unbalanced panel due to the fact that some countries implemented or withdrew social assistance programmes within this period, and to missing observations for particular years. It contains information on design, reach, transfers, institutions and budgets for all existing social assistance programmes. The data were harmonised across programmes and countries to enable comparative research. The working dataset was complemented with country level data extracted from the Quality

of Government dataset (Teorell et al., 2018) and the World Bank's World Development Indicators (World Bank, 2018). The data extracted from these sources were merged with the social assistance dataset. Table 1 (p. 9) provides information on the variables used in the analysis, their format, definition and provenance.

*Reach*, the dependent variable, is captured by a measure of the aggregate reach of all social assistance programmes in the country *Reach*. Social assistance reach denotes the total number of people who benefit from social assistance programmes in a country, including direct and indirect beneficiaries, standardised by population size.<sup>20</sup>

To test the Varieties of Capitalism approach the variable *Plurality* was selected as an empirical counterpart. This is a binary variable measuring whether legislators are in the main elected using a proportional representation rule. This variable comes from

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<sup>20</sup> Two issues relating to the construction of this variable need clarification: (i) where programmes report only on the number of direct recipients, pensioners for example, this figure is multiplied by the country's average household size to get a measure of direct and indirect beneficiaries; and (ii) adding the direct and indirect beneficiaries of individual programmes and dividing by the population is a useful standardisation of social assistance reach, the total number of direct and indirect beneficiaries of social assistance, enabling comparison across countries. However, this measure might overstate the population reach of social assistance, the share of population benefiting from social assistance, where households benefit from separate individual programmes. This is uncommon as governments design programme with a view to preventing overlaps of this type. The objective of the analysis in this paper is to capture the effects of politics on social assistance provision by governments. Our measure of a country's social assistance reach does capture this dimension. A measure of population reach could be arrived at using household survey data, but many low and middle income countries do not collect household surveys annually and surveys may not cover all social assistance programmes. Furthermore, available household surveys show large errors in measuring the population reach of social assistance (Villatoro & Cecchini, 2018).



Table 1.  
Variable definitions and source

Variable Title (original title)	Range	Definition
Reach (benrec)	0 - 1.07	Social assistance recipients (direct and indirect) as a fraction of the population [SALMIC]
Left	0/1	1 if largest government party is left-oriented; 0 otherwise (dpi_gprlc1) [DPI]
Plurality (dpi_pr)	0/1	1 if legislators elected using proportional representation [DPI]
Democracy (vdem_delibdem)	0 - 1	Index takes account of level of democracy and of the extent to which democracy is deliberative. The deliberative component index is formed by point estimates drawn from a Bayesian factor analysis model including the following indicators: reasoned justification, common good justification, respect for counterarguments, range of consultation, and engaged society. [V-Dem]
Party age (dpi_gpage1)	1 - 191	Age of Largest Government Party [DPI]
Revenue (ictd_taxnresexsc)	0 - 100	Total non-resource tax revenue, excluding social contributions as % of GDP. Calculated as "Taxes excluding social contributions" minus "resource taxes". [ICTD]
GDP (wdi_gdpcappppcon2011)		GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. [WDI]
Age dependency (wdi_agedr)	34 - 111	Age dependency ratio is the ratio of dependents—people younger than 15 or older than 64—to the working-age population—those aged 15-64. [WDI]
Exports (unna_gse)	8 - 119	Exports of goods and services as a % of GDP [UNNA]
Services (serv)	0 - 100	Share of services in total employment [WDI]

Source: Author compilation

SALMIC Social Assistance in Low and Middle Income Countries

DPI Database of Political Institutions

ICTD International Centre for Tax and Development

WDI World Development Indicators

UNNA United Nations Statistics

DPI, ICTD, WDI, and UNNA data were extracted from the Quality of Government Dataset (Teorell et al. 2018)

the Dataset of Political Institutions (available from the Quality of Government dataset). The Varieties of Capitalism approach predicts social assistance reach will be positively associated with proportional representation. The empirical counterpart used to capture the Power Resources approach is a binary variable entitled *Left* capturing whether the largest party in the governing coalition is to the left of the political spectrum.<sup>21</sup> This variable also comes from the Dataset of Political Institutions.

Control variables capture other factors potentially influencing social assistance provision. The variable titled *Democracy* sourced

from the Varieties of Democracy dataset (available from the Quality of Government dataset) captures the extent to deliberation and inclusion in the (social) policy process. The variable *Party age* captures the age of the largest governing party. Korpi (2006) argues that the longevity of left influence on the governing coalition is an important factor in redistribution to vulnerable groups. This is supported by Pribble, Huber and Stephens for Latin America (2009). By contrast, Keefer and Milanovic (2014) suggest that younger parties are more likely to support redistribution than older left parties.

*Revenue*, measured as tax revenues to GDP Revenue provides a control for fiscal capacity. In the context of low and middle income countries, where tax-transfer systems are largely neutral in distributional terms (Lustig, 2015), this variable may also capture a fiscal contract dimension. The variable

21 The left variable was taken from the Database of Political Institutions' EXECRLC variable that codes the orientation of parties in the executive as: right, left, centre, no information, no executive. Left applies to 'parties that are defined as communist, socialist, social democratic, or left wing'.

GDP captures income per capita, converted to 2011 US\$ power purchasing parity. It serves as control for the influence of a country's level of economic development. This is not intended to represent a country's need but instead a country's overall resource and institutional capacity. As indicated above, richer countries have on average stronger social assistance provision than poorer countries.

The age dependency ratio Age dependency is intended to capture demographic pressures. The general expectation is that, all other things being equal, countries that are more advanced in their demographic transition will experience stronger pressure on social assistance provision. The share of the labour force employed in services Services is included to capture labour market effects of tertiarisation and therefore associated pressures on social assistance (Thelen, 2012). The share of exports in GDP, *Exports*, captures the openness of the underlying economy. The literature on welfare institutional development in high income countries suggests that openness is expected to generate pressures for social protection, especially in smaller economies, as well as relatively stronger investment in general skills.

Table 2 (p. 11) provides descriptive statistics for all the variables employed.

## 2.2 Estimation model

In panel cross-country data there are multiple sources of variation in the data, in this particular case variation between countries and variation over time within countries. In the context of our data, the hypotheses may be interpreted in two separate ways. Take for example the Power Resources approach. We could investigate whether countries that have coalitions influenced by left parties are more likely to support social assistance provision than countries lacking the influence of left parties in governing coalitions, the between effect. Alternatively, we could investigate whether a shift to the left in the governing co-

alition of a country leads to increased social assistance provision, the within effect. The former focuses on whether differences in left partisan influence between countries could explain support for social assistance provision. The latter focuses on whether changes in the political make up of governing coalitions result in increasing social assistance provision. Hierarchical data offers an opportunity to estimate within and between effects of covariates but they also require care is exercised in interpreting the effects of these variables.

The analysis in the paper relies on a linear random intercept estimation model. The advantages of linear random intercept models over fixed and random effects models in the analysis of panel data are considered in some detail in Bartels (2008), Bell and Jones (2015), Snijders and Boskers (2012) and Rabeth-Hesketh and Skrondal (2012).<sup>22</sup> The linear random intercept model separates explicitly within and between effects and facilitates carrying out both investigations simultaneously. Whether between and within effects are different is a matter to be settled empirically.

Following an earlier contribution by Mundlak (1978), Bell and Jones (2015) write out the linear random intercept model as:

$$y_{ij} = \beta_0 + \beta_1^w (x_{1ij} - \bar{x}_{1j}) + \beta_2^b \bar{x}_{2j} + \dots + \beta_k^w (x_{kij} - \bar{x}_{kj}) + \beta_k^b \bar{x}_{kj} + \eta_j + \varepsilon_{ij} \quad (1)$$

where  $y_{ij}$  is the dependent variable for country  $j$  in year  $i$ . The independent variables  $x_{kij}$  are indexed  $k = 1, 2, \dots, K$  for country  $j$  and year  $i$ , with  $\bar{x}_{kj}$  as the mean of covariate  $k$  for country  $j$ . Level 1 residual is  $\eta_j$  and level 2 residual is  $\varepsilon_{ij}$ . The  $\beta$ s are the parameters to be estimated. To facilitate identification they include a superscript  $\beta_k^{w,b}$  where the super-

<sup>22</sup> Recent applications of this model to related areas of social policy include Jacques and Noel (2018) and Noel (2018).

Table 2.  
Descriptive statistics for the estimation sample

Variable	Mean	Std. Dev.	Min	Max
Reach	0.138	0.181	0	1.07
Plurality (between)	0.667	0.459	0	1
Plurality (within)	-0.003	0.095	-0.81	.5
Left (between)	0.356	0.379	0	1
Left (within)	-0.002	0.290	-0.88	0.812
Democracy (between)	0.410	0.216	.009	0.865
Democracy (within)	.002	0.070	-0.34	0.457
Party age (between)	29.36	24.73	1.5	116.06
Party age (within)	-0.185	16.73	-110.06	105.12
Revenue (between)	16.10	5.61	1.88	44.51
Revenue (within)	0.004	2.11	-11.51	9.85
GDP (between)	8431.08	5596.97	756.78	28379.93
GDP (within)	-137.48	1733.50	-9358.07	5833.83
Age dependency (between)	61.22	16.12	39.28	110.78
Age dependency (within)	0.143	3.81	-13.23	16.65
Exports (between)	35.69	16.25	12.84	97.17
Exports (within)	0.266	6.31	-30.84	50.26
Services (between)	45.97	14.94	6.47	75.87
Services (within)	-0.204	3.35	-13.62	16.08
Observations	907			
Number of groups	87			

script  $w,b$  denotes the  $w$ (ithin) country effect and the  $b$ (etween) country effect.

The country-mean-centred covariates were generated using the full sample (Snijders & Bosker, 2012, p. 56), that is, before deleting cases with missing data. The model was estimated using the `xtmixed` routine in Stata, including the sandwich estimator to ensure disturbances that are robust to heteroscedasticity and autocorrelation (Rabe-Hesketh & Skrondal, 2012, p. 163).<sup>23</sup>

23 The estimating model does not address potential cross-section or spatial dependence (Hoechle, 2007). It does not include a lag dependent vari-

### 3. RESULTS AND DISCUSSION

The estimation results are presented in Table 3 (p. 12). The first set of results (Model 1) reports on the estimation of the two explanations of the expansion of social assistance reach together. The other sets of results (Models 2 and 3) report on the separate estimations of the two explanations.

able (Bartels, 2008) as this is likely to undermine the assumption that RHS variables are not dependent on each other. A lag dependent variable cannot be statistically independent of (Allison, 2015).

Table 3.  
Estimation results

	(1)	(2)	(3)
Dependent variable	Reach	Reach	Reach
Independent Variables			
Plurality (between)	0.0227 (0.035)	0.0244 (0.035)	
Plurality (within)	-0.0992*** (0.025)	-0.0943*** (0.025)	
Left (between)	0.0125 (0.031)		0.0089 (0.029)
Left (within)	0.0306* (0.016)		0.0333** (0.015)
Democracy (between)	0.1611** (0.075)	0.1610** (0.074)	0.1769*** (0.067)
Democracy (within)	0.0884 (0.069)	0.0733 (0.073)	0.0782 (0.067)
Party age (between)	0.0006 (0.001)	0.0006 (0.001)	0.0005 (0.001)
Party age (within)	-0.0005* (0.000)	-0.0005** (0.000)	-0.0005* (0.000)
Revenue (between)	-0.0023 (0.003)	-0.0021 (0.003)	-0.0020 (0.003)
Revenue (within)	0.0083* (0.004)	0.0090** (0.004)	0.0091** (0.004)
GDP (between)	-0.0000 (0.000)	-0.0000 (0.000)	-0.0000 (0.000)
GDP (within)	0.0000 (0.000)	0.0000 (0.000)	0.0000 (0.000)
Age dependency (between)	-0.0020* (0.001)	-0.0020* (0.001)	-0.0021** (0.001)
Age dependency (within)	-0.0069*** (0.002)	-0.0071*** (0.002)	-0.0060*** (0.002)
Exports (between)	0.0002 (0.001)	0.0002 (0.001)	0.0001 (0.001)
Exports (within)	0.0012* (0.001)	0.0013* (0.001)	0.0011 (0.001)
Services (between)	0.0012 (0.001)	0.0011 (0.001)	0.0012 (0.001)
Services (within)	-0.0008 (0.003)	-0.0013 (0.003)	-0.0008 (0.002)
Observations	907	909	933
Number of groups	87	87	89
Snijders-Bosker R2 level 1	0.217	0.216	0.207
Snijders-Bosker R2 level 2	0.224	0.226	0.214

Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

When variables capturing both explanations are included together in the model, statistical significance at conventional levels attaches to the within parameters associated with proportional representation and left influences. The within parameter associated with left influence is only marginally significant but has the positive sign predicted by the Power Resources approach. The within parameter associated with proportional representation has the opposite sign to the one predicted by the Varieties of Capitalism approach, indicating that a shift to proportional representation is associated with a reduction in the reach of social assistance. It suggests rejection of the Varieties of Capitalism hypothesis as an explanation for the expansion of social assistance in low and middle income countries.<sup>24</sup> The results also reject the left influence hypothesis when understood as a proposition applying across countries, but provide weak support for the hypothesis understood as a proposition on the effects of changes in left influence within particular countries.<sup>25</sup>

Comparing the parameters for the main variables of interest reported in Model 1 with the estimated parameters in Models 2 and 3,

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24 The analysis does not test for the presence of cross-class parties that might counteract the favourable effects of proportional representation in raising incentives for the influence of parties representing vulnerable sector workers. Identification of cross-class parties in low and middle income countries is much harder than in the European context and will be undertaken in future research.

25 It is worth reminding readers that the proportional representation and the left influence variables are binary. As researchers have noted in the context of conditional income transfers in Latin America, right of centre coalitions have expanded the reach of these programmes (Fox in Mexico for example), while some left coalitions have dismantled them (Ortega in Nicaragua for example) (Birdsall, Lustig, & McLeod, 2011). The same applies to studies on partisan coalitions and redistribution in general (Cornia, 2014). In the full sample, before deletions due to missing observations, changes with respect to the previous observation in the proportional representation variable (full sample) were 128(1149) and in the left influence variable 102(1137).

reporting on their separate estimation, there is only marginal change. The main change is a strengthening of the significance level associated with left influence. There are no major changes in the control variable parameters.<sup>26</sup>

The control variables did not produce major surprises.

The parameter associated with the age of the largest party in the governing coalition is negative and significant for the within effect, but not significant for the between effect. This implies that increases in the age of the largest party in power are consistent with a reduction in social assistance provision. This is intriguing. Keefer and Milanovic (2014) suggest that older established parties might be less predisposed towards redistribution in part because they do not have an urgent need to extend their support base. An alternative explanation is that older established parties are slower to understand the electoral effects of social assistance when this is a newer policy instrument, as is the case in sub-Saharan Africa.

As expected, the within parameter associated with tax collection capacity confirms its positive influence over social assistance provision. The parameter associated with the between effect is not significant. The age dependency variable has a significant and negative within parameter, implying that as particular countries age, their support for social assistance declines. This is hard to explain, especially given the expansion of social assistance pension provision in low and

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26 Readers will have noted that the number of observations differs across models. This is because of countries having missing observations on the three variables of interest. For example, China has a score on deliberative democracy but not on proportional representation as its political regime relies on assembly election. To check on potential bias arising from differences in the sample Models 2 and 3 were estimated on the Model 1 sample. The estimation produced no major changes to the estimated parameters. Results are therefore reported for the models with their specific (maximum) sample.

middle income countries. The between effect associated with the share of services is positive and marginally significant for the proportional representation and left influence explanations. The link between tertiarisation and social assistance has been discussed in the related literature on high income countries (Thelen, 2012).

The parameters associated with per capita GDP and with the share of exports in GDP were not found to be significant.

In sum, the results find some support for the left influence but with limited scope. The left influence explanation for the expansion of social assistance finds support if reformulated as a proposition of within country shifts in the influence of left parties.

The Varieties of Capitalism hypothesis does not find strong support in the data. If anything, the results run counter the predictions from this model. It is important to keep in mind that the analysis in the paper does not test for the presence of incentives to include parties representing the interests of low/general skilled workers in governing coalitions. The political regime, proportional representation, might be necessary but not a sufficient condition to generate incentives for the inclusion of representatives of these groups. The strength of business parties and their influence on social policy might prove relevant. So is the presence of cross-class parties. Further analysis is needed to throw light on sufficient conditions required to incentivise the inclusion of low/general skilled workers. In the – perhaps narrow – formulation of this hypothesis employed in the analysis, the conclusion is that proportional representation is not a valid explanation for the expansion of social assistance in low and middle income countries.

With regards to the main motivation of the paper, the results demonstrate that the general elements of prevailing theories of welfare institutions can throw light on the expansion of social assistance in low and middle income countries. This is of considerable importance in the context of the expansion of

social assistance in low and middle income countries.

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## CONCLUSIONS

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The paper is motivated by the need to explain the large expansion of social assistance provision in low and middle income countries in the 21st century. Research has largely focused on programme design and outcomes, but a more fundamental research question is: Why has social assistance expanded?

Theory is needed to guide research on this question, but prevailing theories of welfare institutions were developed to study the welfare institutions that emerged among early industrialisers, especially in the post-WWII period. Power Resources and Varieties of Capitalism theories of welfare institutions explain the latter as a consequence of social and economic stratification under capitalism. Welfare institutions are a response to political forces demanding public institutions to protect workers against risks, with social insurance the dominant instrument. Comparison with welfare institutions in low and middle income countries shows several anomalies. Emerging welfare institutions are dual, as opposed to unitary; increasingly based around social assistance, not social insurance; and with a social investment focus on general, as opposed to specific, skills. At first sight, prevailing theories appear unsuitable to explaining emerging welfare institutions in low and middle income countries.

The discussion in the paper revisited these theories with a view to identifying elements of general applicability to early industrialisers. This exercise yielded interesting results. In the context of the ‘three worlds’, the liberal welfare regime emerges as the general case, reflecting the core labour-capital cleavage. The social democratic and the conservative welfare states are the consequence of overlapping cleavages – town/country and church/state respectively – enabling broader coalitions in support of welfare institutions.

In the Varieties of Capitalism approach, the unitary nature of welfare institutions also emerges as a special case of core dual institutions. This is apparent after the breakdown of Fordist production regimes.

The exercise was less conclusive as regards microfoundations and politics. In prevailing theories the pre-eminent role of insurance fits seamlessly with risk-based stratification and with incentives for political action in support of horizontal redistribution. In early industrialisers, and under Fordist production, social assistance is residual. In low and middle countries, social assistance is far from residual and understanding the factors explaining its growth requires conceptualising microfoundations and politics for vertical redistribution.

The identification of empirical counterparts for the main hypotheses on the expansion of social assistance enabled tests using panel data for 2000-2015 and a within-between mixed estimation model. The main findings provide support for the left influence hypothesis but with limited scope. Within country increases in left influence are associated with social assistance expansion, but left influence has no systematic effect across countries. Proportional representation appears to have no significant effects on social assistance reach when comparing countries, and negative effects when considering changes within countries.

It has been suggested that research of 'causes of effects' does not produce well-defined answers, compared to the 'effects of causes' experimental research, but that its advantage lies in opening the way for the development of more general models that can explain observed anomalies. The paper makes a case for comparative social policy research to develop a general theory of welfare institutions, capable of explaining welfare institutions in early and late industrialisers. The analysis and findings in the paper show the promise of its potential value for the study of emergent welfare institutions in low and middle income countries.

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