International organizations and social insurance in Mexico

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Abstract: How do international organizations (IO) influence domestic social policy? This paper answers this question using a comparison of IO participation in the social insurance policy-making process in Mexico in the 1940s and 1990s. There are similarities and differences between the periods. During both periods, IOs contributed technical expertise to the policy design process. The principal IO participating in policy discussions and the means of influence differed in the 1990s from the 1940s. The comparison suggests that IOs use both hard and soft power resources to influence domestic social policy.

Key words: social insurance, international organizations, Mexico, ILO, World Bank

Cognizance of the profound effects of globalization has prompted renewed interested in policy diffusion. This recent interest has identified a number of explanations for the spread of policies or innovations, not all of which involve the direct participation of international organizations (IOs).[1] Given its genesis in globalization, much of the literature focuses on horizontal processes. For instance, some approaches emphasize diffusion through economic competition (Simmons and Elkins, 2004), something of a functional convergence toward the best policy in a globalized economy. Others focus on how domestic policy makers learn from their peers, either as a rational learning process (e.g., Simmons and Elkins, 2004) or as a learning process shaped by cognitive heuristics (e.g., Weyland, 2005). Other explanations, which are most relevant to understanding the role of IOs in policy diffusion, either invoke the use of hard or soft power for coercion (e.g., Hunter and Brown, 2000; Brooks, 2005) or suggest that IOs establish standards that countries emulate (e.g., Strang and Chang 1993).

This paper answers the question of how IOs influence domestic social policy, relevant for these latter diffusion explanations. This question is important, since a handful of recent studies suggest that IOs have *not* had a significant impact on social policy outcomes since the 1980s (Hunter and Brown, 2000; Brooks, 2005). This paper contends that IOs *do* influence social policy, though not in ways likely to be measured by cross-national comparisons of program lending and policy outcomes. Seldom is IO influence on social policy a matter of a gross display of influence through loan conditionality or the imposition of simple policy models. Rather, the influence of IOs on social policy, though significant, has been more nuanced than many characterizations indicate.

In addition, most recent studies of the role of IOs in policy diffusion fail to acknowledge that IO influence on domestic social policy is not new.[2] Recent participation of IOs in policy formation shares both commonalities and differences with their participation in the first half of the twentieth century. The comparison of social insurance policy formation in Mexico during the 1940s and 1990s illustrates both these commonalities and differences. In neither period did IOs decisively *create* the policy outcomes, but in both times they provided technical advice and established international norms that *influenced* the types of policies ultimately adopted.

Mechanisms of influence

International organizations may contribute to the diffusion of policy innovations by both directly influencing policy decisions and establishing international norms or policy models. The former form of influence may combine an exertion of hard power, while the latter is consistent with notions of soft power and the construction of national identity. Evidence from Mexico suggests that IOs influence policy in both ways, though influence through power was less common in the 1940s than in the 1990s.

Hard power: Financial carrots or sticks?

Though IOs may use a combination of hard and soft power to influence social policy outcomes (Brooks, 2005; Weyland, 2006), studies too often focus on a narrow concept of hard power. Failing to find evidence of loan conditionality or evidence of policy adoption "by decree or without the sanction of democratic institutions" (Brooks, 2005: 279), many studies dismiss the influence of IOs on policy outcomes. This tendency is especially pronounced in quantitative studies that attempt to measure IO influence through the size of loans or the presence of institutionalized reform agreements, such as IMF Structural Adjustment Programs (Hunter and Brown, 2000; Brooks, 2005).[3] Not surprisingly, such analyses find no significant associations between loans and spending or reform outcomes, which is interpreted as an indication that IOs do not exert policy influence. This formulation is problematic for both theoretical and empirical reasons. Theoretically, it discounts the important use of economic "carrots" versus "sticks" (Keohane and Nye, 1998). The withholding of loans may not be a stick IOs use often to influence social policy, but the promise of loans may be a useful carrot. Empirically, if IOs use loans as carrots to encourage particular social policy reforms, it is unreasonable to assume, as most quantitative studies do, that the loans will precede the reforms. If IOs offer financial carrots for particular types of reforms, we would expect reformers to acknowledge forthcoming support and find evidence of financial support following the reform.

Other studies reject IO influence on social policy by suggesting that "conditionality often carries little weight," citing as evidence poor compliance with hard loan conditions (Weyland, 2005: 272-73; Weyland, 2006). Such a concept of IO influence is so narrow as to be easily falsifiable and, as such, is a weak test. For many reasons, a more careful analysis of the dimensions of hard power in the context of policy diffusion is required. Hard power is exerted not only by threats but also by rewards (Keohane and Nye, 1998: 86), and only a narrow concept of hard power would limit IO influence to crude policy threats like loan conditionality. Rather, IOs might offer loans as financial carrots to support particular types of reforms—a common strategy of the World Bank in promoting expensive pension privatization and reform in Latin America (Kay, 1999; Madrid, 2002; and Müller, 2003). IOs can also provide funding for technical or pilot studies, thereby increasing the likelihood that reforms will occur. Such funding does not guarantee reforms or even that reforms will follow the IOs' preferred policy prescriptions, but it is nevertheless a power resource that opens the policy agenda to debate and consideration of policy innovations.

Soft power and constructivism: Agenda-setting and emulation

Though originating in different theoretical traditions, soft power, as conceived by neoliberal theorists of international relations, and constructivist approaches to agenda-setting share theoretical affinities (Hopf, 1998: fn. 17). In both approaches, power is exercised by the ability to set the agenda or establish norms of behavior.[4] Soft power is the use of persuasion to convince others to adopt your position, or it can rely on "the persuasiveness of the free information that an actor seeks to transmit" (Keohane and Nye, 1998: 86). Similarly, constructivists argue that adoption of institutions or norms occurs through socialization, where "networks of norm entrepreneurs and international organizations also act as agents of socialization by pressuring targeted actors" (Finnemore and Sikkink, 1998: 902; also Finnemore, 1996). This socialization by IOs includes both establishing international norms and promoting them through engagement with individual nations.[5] For present purposes, the main difference between the approaches lies in the reasons that countries might emulate or adhere to some international institution or norm. In practice, we can often only observe behavior consistent with the institution or norm; we cannot necessarily determine whether the behavior was a response to soft power or an act of identity construction. These theoretical differences are difficult to discern empirically. For example, if government officials mention an international convention when announcing the adoption of a new policy, we cannot ascertain from the announcement alone whether the policy was adopted because officials felt pressured by the existence of the international convention (i.e., they responded to soft power) or because they believed that adoption of policy consistent with the international convention would enhance the perception of the country as a modern nation (i.e they wanted to help construct national identity).[6] Even if officials were to explain why they mentioned the international convention, they likely would not provide the same reason or even respond truthfully. These are problems of interpreting the motives behind the observed behavior of countries.[7] The primary focus of this paper is on the observable ways that IOs try to exert their influence or socialize governments to adopt particular policies or adhere to particular international norms.

International organizations try to influence domestic policy outcomes both by using their technical expertise and policy networks and by setting the international policy agenda through the establishment of informal norms or formal standards. The use of technical expertise and policy networks to influence domestic social policy is especially likely to occur when a social policy domain is highly complex or technical.[8] IOs may provide technical expertise or advice on a policy in countries where bureaucratic staff are either undertrained or lack the skills necessary to formulate policy independently. Though only the least developed countries today would lack the technical staff to design social insurance, in the early part of the twentieth century, when social insurance was first adopted, some countries, including Mexico, did not have a professional bureaucracy with sufficient actuarial skills. In such cases, IOs have considerable power to influence policy by directly shaping policy outcomes. When domestic bureaucracies are more highly skilled, they are better able to question IO policy recommendations (Weyland 2006).

IOs can also provide policy expertise or tools that enable countries to consider a wider range of policy options. For instance, the World Bank developed PROST (Pension Reform Options Simulation Toolkit) to make it easy for countries to simulate various pension reform options. Though the tool does not promote certain reform options, it does encourage in-country bureaucrats to consider a wider range of reform options than they might otherwise have, potentially creating more policy discussion between the Bank and country officials. The World Bank's Latin American section intentionally shifted their strategy from explicit conditionality to informal policy discussions and technical assistance (Teichman 2001). Such technical expertise and policy networks do not enable IOs to impose particular policy outcomes. However, they are examples of power resources that IOs can use to influence policy outcomes subtly, which is unlikely to be revealed by simple correlations between loans or conditions and policy.

IOs can also influence domestic social policy outcomes through dissemination of policy models. By promoting success stories of favored policies, IOs can help shape reform agendas. For example, the World Bank has widely promoted a particular form of targeted poverty alleviation program that combines school scholarships with investment in health care for poor families by regularly citing Oportunidades in Mexico and Bolsa Escolar in Brazil as examples of successful poverty alleviation (World Bank, 2005). IOs also promote their preferred policies by funding conferences and workshops around policy issues and inviting policymakers and bureaucrats from the countries they seek to influence. The goal is to disseminate their research and project findings beyond academic or IO circles and influence policymakers directly. Sometimes prominent international or national academics are invited to participate or are commissioned to prepare research reports, which can add legitimacy and the impression of academic objectivity to policy recommendations. In these ways, IOs seek not only to promote particular policy criteria but also to legitimize particular policy recommendations, in order to set the policy agenda.

Finally, IOs may codify informal norms into formal institutions or conventions to persuade countries to formally ratify or adopt the provisions. For neoliberal institutionalists, this form of soft power "rest[s] … on the ability to set the agenda through standards and institutions that shape the preferences of others" (Keohane and Nye, 1998: 86). For constructivists, this approach is a socialization role of the IOs, whereby they pressure countries to adopt international standards, conventions, or treaties (Finnemore and Kikkink 1998: 902). In the first half of the twentieth century, the ILO successfully used the adoption of International Labor Standards Conventions and Recommendations to encourage the development of social insurance (Strang and Change, 1993). The establishment of international standards or conventions helps legitimize certain policy principles, thereby potentially influencing policy outcomes. However, IOs usually offer no material resources in exchange for ratification of international standards and sometimes have little ability to enforce compliance even after ratification, which can limit the effectiveness of this means of IO influence.

All these strategies can be used by IOs to set the domestic social policy agenda and promote adoption of particular policies. When countries do adopt policies that conform to policy recommendations, it is difficult to interpret the observed behavior as either acquiescence to soft power influence or the social construction of national identity. In Mexico, the ILO and the World Bank have both used a variety of these strategies to influence social insurance, including technical assistance and policy dissemination during both the 1940s and 1990s.

International Organizations and Social Insurance in Twentieth-Century Mexico

Mexico has two principal social insurance institutions: the IMSS (Mexican Social Insurance Institute), created in 1943, and the ISSSTE (Government Workers' Social Security and Services Institute), created in 1959.[9] Throughout the twentieth century, social insurance was shaped by the political struggle of the organized working class within the constraints of Mexican corporatism. Organized labor articulated demands for public policies to protect workers and their families; the construction of welfare institutions were the result of a political compromise between the labor unions and the state during the establishment of the Mexico's authoritarian regime in the 1940s (Dion 2005).[10] From the 1950s through the 1970s, organized labor successfully used its relationship and access to the state to demand the expansion of welfare, including the creation of the ISSSTE in 1959 and reforms to the IMSS in 1973. However, their demands were constrained by the institutions both of corporatism and of welfare, created during the initial compromise between labor and the state. In the 1980s, the debt crisis and process of structural adjustment propelled social insurance reform onto the national agenda, and economic reforms and political liberalization changed the political role and capacity of organized labor to influence social insurance. Because of these changes, several social insurance reforms were proposed and undertaken in the 1990s and 2000s. In 1992 the government added a private pillar to the IMSS pension system in lieu of privatizing the IMSS and the ISSSTE pension systems (Madrid, 2002). Further reforms to the IMSS pension system were adopted in 1995 and implemented in 1997. The 1995 reforms privatized the IMSS pension system along the lines of the Chilean reform, although with important deviations. Again, important reforms were set aside in 1995, including proposals to include ISSSTE in the privatized pension scheme and to privatize the health care services of the IMSS. In 2006, the Fox administration (2000-06) withdrew a proposal that it had developed to privatize the ISSSTE pension system. This reform was later adopted in March 2007 by the Calderón administration (2006-2012).[11]

In general, the politics of social insurance in Mexico have been driven by domestic political conflict and cooperation. These domestic considerations ultimately determined the fate of social insurance, including the reforms. At the same time, IOs have since the 1940s participated in Mexico's policymaking process. The following discussion focuses on IO participation in the policy processes that led to the creation of the IMSS in 1943 and to the social insurance reforms of the 1990s. Though Mexican social insurance policymakers often studied foreign models of social insurance, IO participation and influence in the policy process were most notable during these two periods, making them ideal for illustrating the ways in which IOs may influence social policy.[12]

The ILO and the creation of the IMSS in 1943

In 1943 Mexico adopted legislation to provide social insurance benefits for private sector workers throughout the country, though implementation initially was restricted to large industrial cities. The legislation had had a long gestation period; social insurance was mentioned in the 1917 Constitution and first proposed in national legislation as early as 1929. Secretary of State Ignacio García Téllez, under the Cárdenas presidency (1934-40), in 1938 drafted the immediate precursor to the 1943 legislation after he studied foreign models of social insurance ("Una entrevista…," 1965: 6). Political contingencies prevented this legislation from being adopted, but incoming president Avila Camacho (1940-1946) vowed to make social insurance a priority. He formed a commission, led by new Secretary of Labor García Téllez, and charged it with drafting social insurance legislation. However, employers reacted negatively to the actuarial calculations of the commission's initial proposal. Mexico at the time lacked actuaries specializing in public social insurance, so Téllez sought help from the ILO [13] ("Una entrevista…," 1965: 8). ILO vice president Paul A. Tixier and Emilio Shoenbaum, co-author of several European social insurance systems, assisted Téllez in preparing the actuarial calculations ("Una entrevista…" 1965: 8;

“Como nacío…” 1966: 2). The need to bring in outside consultants held up the technical commission’s proposal until late 1942, in turn delaying the passage of the law by more than a year (Pozas Horcasitas, 1986: 121; Medina, 1979: 293, fn. 139). The Social Insurance Law was finally passed in late 1943 and implemented in early 1944. The law provided old-age and disability pensions, worker compensation insurance for work-related injury and illness, sickness benefits, and maternity and health insurance for formal, private-sector workers.

The ILO’s participation in the process leading to the adoption of the Social Insurance Law illustrates a number of ways that IOs have influenced domestic social policy. It was not the ILO that prompted the adoption of social insurance legislation. Rather, domestic political conflict was the catalyst, evident from the ILO’s being invited to advise the commission only after a draft of the legislation had been circulated in civil society.[14] The impetus for the ILO’s involvement was Mexico’s lack of actuarial expertise. Given this lack, the ILO largely determined the contribution rates necessary to provide the benefits agreed upon by political elites. This situation demonstrates how technical assistance can significantly influence social insurance outcomes. In 1942 the government submitted the proposed legislation to the ILO for formal approval and to ensure that it met with the ILO Conventions and Recommendations. The ILO formally approved it in August, and their approval was widely disseminated in the Mexican media to generate support for the reform proposal (“Opinion de la…,” [1942] 1943: 23-7). Existing ILO conventions also constrained the contribution structure. The CTM (Confederation of Mexican Workers), Mexico’s largest labor confederation, had previously demanded that social insurance be funded by employers and the government, with no contribution from workers. However, the CTM ultimately accepted tripartite funding because of existing international precedents and ILO agreements and recommendations (Macín, 1961: 9), a situation that illustrates another significant way in which ILO Conventions and authoritative recommendations can constrain the policy options and expectations of domestic actors.[15]

Overall, the ILO was the only IO that directly participated in the social insurance policy process in Mexico. Its participation was primarily through its international policy network, the provision of technical expertise, and agenda-setting through its ILO Conventions and Recommendations. These sources of influence were a demonstration of soft power or its ability to promote particular norms and institutions. The ILO did not use hard power resources, such as financial incentives, to promote the adoption of social insurance. By the 1990s, the use of financial incentives would become a common means of IO influence, and the World Bank would displace the ILO as the most significant IO with influence on social insurance.

The World Bank and social insurance reform in the 1990s

Structural pension reform proposals first appeared on the policy agenda in late January and early February 1990, when the World Bank completed a mission in Mexico to “provide analytic support to the policy reform program that the Mexican Government is planning to undertake in this important area” (i.e., contractual savings) (World Bank, 1990, n.p.). Members of the Secretary of Finance collaborated on the report (interview with Reynoso; World Bank, 1990, n.p.), completed in October 1990 for Mexican policymakers.[16] The IMSS and the ISSSTE directors, commercial banks, insurance companies, private sector enterprises, and trade associations also assisted with the project (World Bank, 1990, n.p.). The World Bank report recommended a three-pillar approach: (1) the reform of the IMSS system into a flat-rate, minimum-pension benefit, possibly funded with general taxes; (2) fully-funded, privately administered occupational pensions based on the current severance pay requirements; and (3) a system of defined-contribution, private individual accounts.

Several of the World Bank's recommendations were ultimately implemented in the 1992 or 1995 reforms, including discontinuing the use of pension reserves to subsidize the health insurance, significantly increasing minimum contributions for a minimum pension, and depositing housing credits into individual accounts. On the other hand, several of the World Bank's recommendations were not implemented. Though the World Bank singled out the ISSSTE system as particularly in need of reform, for political reasons, the ISSSTE was not included in the 1992 or 1995 reforms. The Bank also recommended consolidating smaller public pension systems, including state government pension systems, with the national system and privatizing many other programs and assets of the IMSS and ISSSTE (World Bank, 1990: 110-11). In addition, recommendations to require full funding of severance pay as a form of occupational retirement were not heeded.

The Mexican government did follow one of the more important recommendations of the 1990 report, which was to proceed with reforms in stages. Though the Salinas cabinet (1988-94) discussed a full privatization of the IMSS and ISSSTE systems in April 1990, such a far-reaching reform was ultimately abandoned to avoid antagonizing organized labor during NAFTA negotiations (Salinas, 2000, 382; Dion, 2002; Madrid, 2002). Rather, in 1992 the government sought a reform that added an additional private pillar of defined-contribution, individual accounts to the IMSS and ISSSTE systems. The new pillar was promoted as an additional employer-funded benefit rather than as a reform. From the beginning, however, policymakers considered the 1992 SAR (Retirement Savings System) Law only a temporary step on the way to full privatization (interviews with Sales, Solís Soberon, and Reynoso).

Following the change in government and a new financial crisis in late 1994 and early 1995, the government found a new opening to promote pension privatization. Again, initial discussions considered privatizing both IMSS and ISSSTE pensions, but ISSSTE pensions were considered too politically explosive to reform. The Zedillo government (1994-2000) established a think tank (the CEDESS, or Center for the Strategic Development of Social Security) in November 1994 to develop a reform proposal in isolation from the social insurance bureaucracy and the scrutiny of interest groups. The proposal developed by CEDESS included privatizing not only the IMSS pension system but also health care and other services (CEDESS, 1995). Policymakers ultimately abandoned health care privatization, however, due to resistance from the health care bureaucracy (interviews with Borrego, Rosado, Gonzales Balderán, and Saenz Garza).

The final reform to the Social Insurance Law was adopted in 1995 and implemented in 1997. The reform touched nearly every aspect of social insurance administered by the IMSS, but the most significant aspects were the privatization of pensions and changes in health care financing. The reform transformed the IMSS pension system into a defined-contribution, individual-accounts system administered by the private sector. The state contributes a fixed amount to all active accounts as a subsidy to low-wage workers. The reform also increased the contribution requirement for the minimum guaranteed pension to 25 years. The health reforms did not privatize services but did transform the contributions from a fixed percentage of wages to a nearly flat rate for all workers.

Throughout the reform process of the first half of the 1990s, various IOs, most importantly the World Bank, sought to influence social insurance reforms. From the beginning, Mexican officials received considerable technical assistance from the World Bank. According to several Mexican individuals, the World Bank was consulted often (i.e., more than once a month) during the development of both the 1992 and 1995 reform proposals (interviews with Reynoso and Dávila). The Bank actively sought reform of the IMSS pension and health care systems and believes that its efforts were successful. In its Country Assistance Evaluation (CAE) for Mexico, the World Bank says:

> During this period, the Bank's work on the reforms of the contractual savings (i.e., pension) system … has been largely successful. Several Mexican counterparts commented very favorably on the quality of the Bank's substantive input. In FY97 and FY98 the Bank approved two single tranche adjustment loans of US$400 million each. *Agreed policy actions were taken in advance of the approval of each loan*, and the Bank maintained an appropriately low profile on these politically sensitive issues. However, reforms of the National Worker's Housing Fund Institute (INFONAVIT) that had been agreed as the basis of the second loan were only partially implemented (italics added; World Bank, 2001: 13).

This statement implies that the World Bank indicated before the reforms that it would provide financing for pension privatization, but in a low profile manner intended to avoid publicity and criticism from the public that might jeopardize the reform. In both cases, the Contractual Savings Loans of the World Bank to Mexico were approved well after the 1995 law was formally approved (December 1996 and June 1998; World Bank, 2001, Annex Table 7).[17] The INFONAVIT reforms mentioned in the World Bank CAE were abandoned in order to secure CTM support for the reforms to the pension system (interview with Solís Soberón). This World Bank statement makes clear that, though not "conditional" in the normal use of the term, certain World Bank loans were based on reform measures expected to be implemented before Mexico was to receive funds.

As mentioned above, the original reform plan (Proyecto Aguila, 1995) included the privatization of IMSS health care and support services, which had to be abandoned due to union resistance. With regard to the IMSS health care reforms, the World Bank also acknowledges that it:

> contributed to the reform of the segment of the health care system that is the responsibility of the Mexican Institute of Social Security (IMSS). *Following* sector work that was well appreciated by government counterparts, the bank approved in FY97 a US$700 million Health Sector Reform Loan and a parallel technical assistance operation. The QAG Quality at Entry Assessment for both operations was satisfactory, although the QAG panel commented that the *objectives of the reform program seem quite modest for the size of the loan*. But institutional and political *obstacles to full implementation* could slow or undermine the complex reform program. To some extent, opponents of the reforms have publicized the Bank's support as a means to discredit the reforms (italics added; World Bank, 2001: 13).

This statement links the FY97 World Bank loan to support for reforms to the IMSS health care system.[18] The CAE statement also acknowledges that the health care reform was incomplete (i.e., they reformed the financial structure but not service provision) due to institutional and political obstacles (i.e., the union opposition).[19] Also, the World Bank approved the loan in FY97 *after* sector work (i.e., technical assistance, studies, and so on). This evidence suggests that the World Bank used significant hard power financial incentives (i.e., in the form of carrots offered to support reforms, not sticks) to promote reforms.

Though none of the reforms were exactly what the World Bank sought (in the case of pensions, the reform was actually more extensive than the World Bank proposal), the promise of financial support for reform is likely to have increased the feasibility of reform, especially in the case of costly pension privatization. The World Bank's Mexico CAE (2001) is suggestive of the influence and informal conditionality that may be involved in pension and health care reforms. Nevertheless, by the World Bank's own account, its influence on domestic policy in Mexico is difficult to estimate "given a strong reluctance within the government's bureaucratic culture to acknowledge the influence of outside parties and the fact that such impact may occur with a long lag" (World Bank, 2001: 15).

While some analysts have pointed to formal reports, such as *Averting the Old Age Crisis* (World Bank, 1994), as sources of influence over domestic policies in developing nations, the World Bank's Mexico CAE found that such formal reports are not as useful or influential as "informal notes, confidential policy dialogue, or seminars and similar events" (World Bank, 2001: 21)—which was just the type of contact that government reformers often had with World Bank officials in the mid-1990s (Teichman, 2001). When directly asked in private interviews about their contact with international organizations during the reform development process, former government officials acknowledged that they "collaborated," shared information, or met with World Bank officials, but often insisted that Mexico's reforms were purely indigenous.[20] Government officials in charge of drafting the reform also studied pension reforms in Chile and New Zealand, as well as the health care systems in Canada and Spain, among others (interviews with Reynoso, Borrego, Dávila, and Solís Soberón). During the reform process in the early 1990s, the ILO and the OECD also made suggestions or commented on Mexico's reform proposals (interviews with Cerda, Dávila), though these organizations were not acknowledged as having "collaborated" or shared technical assistance.[21]

As mentioned above, the World Bank had supplanted the ILO by the 1990s as the most important IO seeking to influence social insurance in Mexico. It sought to influence policy outcomes through a combination of financial incentives for reform and technical assistance provided through formal and informal policy networks. Financial assistance was not formally conditioned on certain reform outcomes, though the World Bank clearly rated loans as more successful if "agreed upon" reforms were fully implemented. Neither the pension nor health care reforms were entirely consistent with World Bank recommendations. The pension reform was more neoliberal, or drastic, than the World Bank proposal (Brooks, 2001), while the health reform fell far short of recommendations. The World Bank and other IOs, including the ILO and OECD, also sought to influence social insurance reform through technical assistance and the formation of policy networks. In this regard, the World Bank was more successful than other IOs in building a policy network with regular access to Mexican policymakers, meeting with reformers regularly and frequently. It is unclear whether the Bank's regular access to government officials was because it offered financial resources or because its neoliberal approach was more similar to that of other IOs than that of the Mexican officials.

Historical similarities and differences in IO influence in Mexico

The comparison of IO participation in social insurance debates in Mexico in the 1940s and the 1990s highlights both historical continuities and differences in IO influence. Though IOs played important roles in policy formation during both periods, in neither was their influence decisive in policy timing or content. Policy was principally shaped by domestic political considerations. In both periods, IOs sought to influence domestic policy outcomes through sharing of technical expertise and policy networks. The effectiveness of technical advice in shaping policy outcomes was greater in the 1940s, in part because Mexico did not have substantial domestic expertise. By the 1990s, however, Mexico had developed an experienced social insurance bureaucracy and had highly trained technocrats in the Secretary of Finance, a situation that is consistent with Teichman's (2001) finding that technical assistance has more influence cross-nationally when countries lack their own technical expertise (see also Weyland, 2006). In both periods, Mexican officials sought information regarding existing policy in other nations, both in and beyond Latin America.

The two periods also highlight important differences in the ways IOs sought to influence domestic social policy. The most obvious difference is that the World Bank replaced the ILO as the main IO participating in domestic policy debates in Mexico.[22] The ILO did not disappear, however, and it continues to promote solidaristic social insurance throughout Latin America. The real change has been the emergence since the 1990s of multiple IOs that seek to influence domestic social policy. Whereas the ILO had a virtual monopoly on social insurance before World War II, Bretton Woods institutions and regional development banks have taken a greater interest in domestic policy.[23] These newer institutions also have more hard power resources to promote their policy agendas. Though the development banks tend to dominate, the ILO and UN Economic Commission on Latin American and the Caribbean continue to provide alternative viewpoints (Queisser, 2000).

A second difference between the two periods worth noting is the shift from using international standards or conventions to using financial assistance to encourage countries to adopt certain policy reforms. This shift is associated with the declining influence of the ILO and ascendancy of the World Bank. It is not obvious whether the mechanisms of influence explain the rise of the World Bank and decline of the ILO or vice versa. Alternatively, perhaps the paradigm shift from Keynesianism to economic neoliberalism explains both the changing of the guard and the means of persuasion. This is an area that the present analysis cannot adequately address and that begs further comparative research.

Concluding summary and theoretical implications of IO influence in Mexico

This article demonstrates the ways in which IOs have sought to influence domestic social insurance policy in Mexico—with mixed results—during two important periods of policy reform. Several general observations should be made regarding the Mexican experience. First, IO efforts to influence domestic social policy are not new to recent globalization. IOs have always sought to influence policy in Mexico, which is consistent with findings of comparative and historical studies (Deacon, 1999; Orenstein, 2003). Though the regularity of IO participation and the means of influence observed in Mexico (technical assistance or loans) are likely to be similar to experiences of other developing nations, it stands in marked contrast to the experience of most advanced industrialized democracies, where welfare politics are domestic. The situation in Mexico suggests that studies of welfare in the developing world should be careful to consider the influence of IOs when explaining policy outcomes, even if IO participation is not decisive in determining policy. If Mexico provides any finding worth generalizing, it is probably that the politics of social insurance are still predominantly domestic, despite efforts by IOs to influence policy outcomes. IOs may provide policy inputs, but whether those inputs are incorporated into policy will ultimately be constrained by the domestic political context.

During the Fox administration (2000-06), the domestic political process trumped pressures from the World Bank for additional social insurance reforms.[24] Midway through the administration, officials began discussing and domestically promoting the privatization of the ISSSTE pension system, which covers approximately 10 percent of the economically active population. According to one senior ISSSTE official, the Bank practically moved into the ISSSTE offices during the technical phase of designing the reform. The Bank then made clear the credits to finance the reform would be forthcoming and pressured the government to formally agree to undertake the reform. After the administration protested that such an agreement was not possible until the reform had gone through the democratic process, relations between Bank officials and the ISSSTE technocrats cooled significantly, though they remained cordial.[25] Ultimately, the government worker unions fiercely opposed the reform proposal, and in March 2006 the reform was abandoned because of the controversial nature of the reform and the upcoming presidential elections. The financial problems facing the government regarding the ISSSTE have been and continue to be more severe than those ever facing the IMSS. In March 2007, the administration of Felipe Calderón (2006-2012) adopted a comprehensive ISSSTE reform, which included privatization of pensions, significant reforms to health care financing, and changes to other insurance benefits.

Implications for future research on IO influence

The Mexican experience also suggests several hypotheses for future research—many of which would be best analyzed in a comparative context—on when and which IOs are most likely to be able to influence policy. In Mexico, the World Bank supplanted the ILO as the IO with the most influence over social insurance policy. Though this observation is consistent with evidence from other regions and cases (Deacon, 1999; Orenstein, 2003), comparing Mexican policymaking in the 1940s and 1990s cannot adequately explain this shift. Future comparative work should focus on explaining when and why the World Bank eclipsed the ILO as the dominant IO influencing social insurance policy development.

Regarding when IOs are expected to have more influence, the Mexican evidence suggests that policymakers considering significant social policy innovations in developing countries will seek information from other countries.[26] Though IOs can certainly facilitate the dissemination of information and provision of technical advice that favor their preferred policies, such information and expertise necessarily has the greatest impact where domestic expertise is limited (see also Weyland, 2006). It follows, then, that IOs should have more influence in highly technical policy areas with clear models of reform than less technical ones. IOs should also have more influence in new policy areas, for which domestic technical expertise has not yet developed. For example, pension system privatization was a new policy model that required substantial learning and build-up in technical expertise before implementation. IOs should also be expected to have more influence in countries whose bureaucracies lack technical capacity (Teichman, 2001), which may be more common in the lesser developed countries.

Another possible hypothesis suggested by Mexico's experiences is that IO influence may be more pronounced when the IO can provide funding and the domestic government needs financing for a particular reform. IOs able to offer financial incentives to support certain policy reforms should be expected to have more policy influence than other IOs. Influence may also vary across policy areas, depending on the need for financing. The costs of pension privatization are particularly high, especially in countries with large existing pension liabilities, and, therefore, it is likely that governments would be more tempted by funding to support pension reform than less costly reforms to other policies, such as health care. When costs of a reform or policy are small, financial incentives offered by IOs may be less appealing. Likewise, IO influence may vary cross-nationally depending upon the financial need of a country considering a particular policy.

Perhaps the most important conclusion to draw from the Mexican experience is that IOs are likely to use a combination of both hard and soft power to influence domestic policy. Hard power is no longer likely to be crude conditionality attached to loans or simple punitive withholding of loans or other resources. Rather, power is exerted through the proffering of financial incentives in support of reform. As the Mexican case also illustrates, financial incentives are no more likely alone to increase IO influence than the clumsy alternatives. It is not surprising that quantitative studies regularly fail to find significant evidence of association between loan amounts and policy reforms as such, given that loans may follow the adoption of reforms despite being offered in anticipation of reforms. Still, IO influence is rarely as extensive as the institutions themselves would like, and policies must still traverse the domestic political process.

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Endnotes

[1] For an overview, see Simmons, Dobbin, and Garrett (2006).

[2] Important exceptions are Deacon (1999) and Orenstein (2003).

[3] Brooks (2005) does acknowledge the possibility that the World Bank has influenced pension outcomes through the use of "soft power," which she does not measure. See Brooks (2005) and Weyland (2006) for further skepticism regarding the ability of quantitative research to measure IO influence.

[4] Of course, neoliberalism and constructivism begin from different assumptions about organization and definition of national interests, but empirically, the behavior of IOs and nations would be the same—the principal difference would be in the interpretation of that behavior.

[5] See Park (2005) for a study of the source of international norms within the World Bank that argues that IOs also learn norms from nations.

[6] Of course, a third possibility is that government officials are trying to blame the international convention for the necessity of adopting the policy.

[7] Finnemore and Sikkink also point out that norms cannot be directly observed (1998: 892).

[8] Nelson (1999) suggests that IOs have been more successful at influencing pension reforms than health care reforms for a variety of reasons, including differences in the regulatory and technical issues involved.

[9] The IMSS and ISSSTE provide social security benefits to more than 90 percent of workers. Additional public schemes exist for petroleum workers, railroad workers (prior to 1982), the Navy, and the Armed Forces.

[10] See Spalding (1978) for an alternative interpretation.

[11] See Dion (2002) for in-depth discussion of the politics of Mexico's welfare regime for the period 1940-2000. See Madrid (2002) for a discussion of the 1995 IMSS reform and Dion (2006) for a discussion that includes the period 2000-06.

[12] For example, IOs played little to no role in the 1959 creation of the ISSSTE and the 1973 reform of the IMSS (see Dion, 2002). Explaining why IOs had more influence in the 1940s and 1990s than during other periods is beyond the scope of this article, though the Mexican cases offer some potential hypotheses for further exploration. For instance, the policy issues faced then (creating new social insurance institutions and implementing structural reforms of existing institutions respectively) were much more complex than the creation of the ISSSTE in 1959 and the 1973 IMSS reform. Due to the complexity and costliness of the policy goals at these times, the policy processes were more open to technical assistance and in the 1990s to external financing. In contrast, the Mexican state had ample experience by 1959 in creating a new social insurance institute and needed little external support to fund the expansion of the IMSS in 1973.

[13] Mexico had joined the ILO in 1931 (Spalding, 1978: 172).

[14] There is no evidence of formal contact between ILO and Mexican officials before social insurance appeared on the Mexican national policy agenda.

[15] It is not clear whether policymakers used the ILO Recommendations and Conventions to pressure unions to accept tripartite funding or whether the recommendations and pressure came directly from ILO officials. What is clear is

that union leaders perceived they could not maintain the demand that employers and the state pay for the entire costs of social insurance due to the international precedents and ILO Recommendations and Conventions.

[16] Several former officials mentioned this document in interviews (Solís Soberón, Dávila, and Reynoso), but there seemed to be no consensus on its influence. Even the World Bank has noted the reluctance of Mexican officials to acknowledge the Bank's influence or assistance on certain matters (World Bank, 2001). In any event, this seems to be the first document that raises the possibility of pension privatization for Mexico.

[17] In a confidential interview with the author, a former government official also stated his belief that the 1995 pension privatization was part of an undisclosed, explicit understanding between the World Bank and the Mexican government following the 1994 peso crisis; however, this claim cannot be substantiated.

[18] In another part of the report, the World Bank mentions its concern regarding the top-heaviness of Mexico's medical system, and its support of increased decentralization of the health care services currently provided by the Secretary of Health (World Bank, 2001).

[19] The "objectives of the reform program seem quite modest for the size of the loan" mainly because the full reform originally recommended by the World Bank was not implemented due to the obstacles mentioned above.

[20] One official went as far as to say that the World Bank did not have any influence because they are always ten years behind when it comes to policy innovations.

[21] The ILO sent a representative to one of the public forums in 1995 to discuss reform proposals, and the ILO proposal discouraged the use of private individual accounts (see Laurell, 1995).

[22] See Ervik (2005) for a useful explanation of the important differences in the World Bank and ILO approaches to technical pension issues in the 1990s.

[23] The Chilean government and the architects of the Chilean reform were also very active in promoting pension privatization throughout the region, sometimes with the support of IOs (Müller, 2003; Weyland, 2005).

[24] See Dion (2006) for a lengthier discussion.

[25] Confidential interview with ISSSTE official participating in reform development and negotiations. The proposed World Bank Technical Assistance and Sector Adjustment Loans to support the privatization were also abandoned. The Mexican government did sign loan agreements to support the reform with the Inter-American Development Bank.

[26] Weyland (2005) provides compelling reasons for why policymakers will look first to "peer" nations.